

**CREDIT
and**

FINANCIAL MANAGEMENT

DEVOTED TO INDUSTRY * FINANCE * COMMERCE

UNIVERSITY
OF MICHIGAN

MAR 31 1955

BUSINESS ADMINISTRATION
LIBRARY



CONSTRUCTIVE ON CONSTRUCTION *Story on Pages 5 and 14*

**How to Obtain Financial Statement from
Reluctant Account: A Symposium of Ideas**

**Construction Credit Needs Special Study
Of Reports on Companies' Financial Status**

**Four Moving Forces in the Economy Help
Credit Executive Shape Investment Plans**

**Labor Cost Reduced 20 to 25 Per Cent
When Company Streamlines Credit Filing**

**APRIL
Vol. 57**

**1955
No. 4**

SECURED DISTRIBUTION

Gets Credit Managers OFF the HOOK!

**...where management's
over-liberal policies
often place them!**

SECURED DISTRIBUTION is an exclusive Lawrence service which enables the manufacturer to put a full inventory of his products on the premises of distributors — *without credit risk*. Let us explain how this service can be tailored to *your* needs — so you can join other credit managers who *stay* "off the hook" with SECURED DISTRIBUTION. Just write or call collect to your nearest Lawrence office.



**FREE
BOOKLET!**

Write for our booklet,
SECURED DISTRIBUTION,
describing the service in detail.

LAWRENCE ON WAREHOUSE RECEIPTS

LAWRENCE
SYSTEM

... IS LIKE CERTIFIED ON CHECKS

LAWRENCE WAREHOUSE COMPANY

NATIONWIDE FIELD WAREHOUSING

37 Drumm Street, San Francisco, California
100 N. La Salle Street, Chicago 2, Ill. • 79 Wall Street, New York 5, N.Y.

OFFICES IN PRINCIPAL CITIES

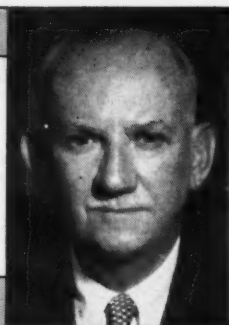
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an actual
experience:**

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Editorial



School for Federal Service

SOME twenty years ago I had an editorial in this publication in which a suggestion was made that our Government establish a school for the training of state department career personnel. The idea expressed then was that we ought to have a school in which young men would be trained for this very important work, and the institution should be patterned along the lines of West Point and Annapolis. Now we would add the newly launched Air Force School in Colorado Springs. Good training is just as important for career men in the Department of State as for those who decide on a military career. Indeed, a school specializing in the training of *all* important personnel in Government may be advisable.

If this type of school should have been initiated some twenty years ago, it seems even more necessary today. In this day and age of atomic weapons, of shortened distances and instantaneous communications, of world conflict and misunderstanding, it is important that our representatives be fully informed and well trained for their various missions. Education in the field of business is today a necessity. Education for those who are willing to dedicate their lives to Government service is vital. A proper training for career men would work for a more consistent and sounder Government policy. Such training would acquaint them how best to represent their country not only in war but, more importantly, at the peace table. It is a fact that at the peace table we seem to stumble and lose the fruits of a victory in war.

Establishment of this type of school would, in the end, be an economy, assuming the instruction was thorough and the requirements were of a very high standard. In addition, it would develop nationwide representation in these fields, particularly if the student body were appointed much after the pattern of selection in use for our military services. Isn't it odd that the most important jobs in civil government do not usually require, as a qualification, previous formal training in the field of endeavor in which the men and women are to serve? Certainly a wide knowledge, by our diplomatic representatives, of the world's diplomacy, its economy, its historic record of success and failure, would be in the national welfare. Fortified with such a specialized training we might be able to effect a more completely understandable and unified policy towards peace. So far as practical, let's fill key Government posts beneath cabinet levels with nonpartisan, fully trained career men. Nations that have done so are able to concentrate all their conflicting political groups upon a common objective for service to their country.

A handwritten signature in dark ink, reading "Henry H. Heimann". The signature is fluid and cursive, with a large, sweeping flourish at the end.

HENRY H. HEIMANN,
Executive Vice President

THE APRIL COVER

WITH building construction a bellwether of the forward movement of business out of the period of adjustment, credit management in that field has had a special job cut out for it.

For example, says Tyler T. Harrison (right), assistant secretary and general credit manager of the Mosher Steel Company in Dallas, "the



construction credit executive who looks at the financial statement alone is just as lax as he who relies exclusively upon the surety bond."

In his article starting on page 14, Mr. Harrison, shown with L. B. Jones (left) president of Mosher Steel Company, and P. B. Clarke, sales manager of the Dallas plant, explains that other factors, if in good order, can justify leniency despite an unsatisfactory financial statement but can make the latter more pronounced if they are unfavorable.

Mr. Jones before graduation in engineering from the University of Texas began with Mosher Steel Company as a part-time draftsman, and was transferred to the sales department after becoming a full-time employee. In 1938 he was elected secretary-treasurer, in 1947 vice president. Last year he became president.

Mr. Jones is chairman of the Dallas Chapter of the Texas Manufacturers Association, a director of the Mercantile National Bank, member of the Texas Society of Professional Engineers.

Blacksmith's helper in the shop was Mr. Clarke's first job at Mosher Steel and his first diploma in the school of experience. Transferred to engineering as an apprentice draftsman in 1929, he became a member of the erection crew, moved to the estimating department, thence to the sales department in Houston in 1941. Three years ago he was named sales manager of the Dallas plant.

Mr. Clarke holds membership in Rotary, the Sales Executives, and the Dallas Athletic Club.

CREDIT and FINANCIAL MANAGEMENT

DEVOTED TO INDUSTRY * FINANCE * COMMERCE

General Manager, Edwin B. Moran
Official Publication of The National Association of Credit Men

VOLUME 57

NUMBER 4

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WASHINGTON



◀ EVEN THE MOST AVID tapeworm would be envious of the red tape feeding upon tax income in federal office paper work. A task force of the Hoover Commission deplores the \$4 billion annual bill, to say nothing of what that enormous volume does to the "basic responsibilities" of top federal executives.

Why is wastepaper called the "largest single item shipped out of the Capital for industrial purposes?" Well, the 750 thousand full-time paper workers require space equal to 36 Empire State buildings; the 24 million cubic feet of federal records would fill seven Pentagons and cost \$40 millions; the billion individual letters produced in a year average \$1 cost apiece.

In its first report the unit of the Commission on Organization of the Executive Branch of the Government told of the immense wastage of money and time in duplicated and squandered personnel effort. Now the unit suggests as a starter a saving of \$225 millions a year by eliminating the employers' quarterly federal tax returns with their required 180 million lines of information on employees and their earnings.

Lest business attempt to point a smug finger at these indictments of waste in Government, the task force notes that the 25,000 papers and documents per federal employee "compare favorably" with the statistics for private industry.

***The Government should be glad
that taxpayers have what it takes.***
—Pathfinder

◀ MANAGEMENT's labor relations executives are training high-power telescopes on the horizon to bring into pre-focus the things to come when and if—and there's not much weight to the "if"—the American Federation of Labor and Congress of Industrial Organizations merger becomes effective, now that the executive board of the C.I.O. has approved the agreement, following official blessing by the A.F.L. executive council. After a constitution has been written, and voted by the labor bodies come Fall, a joint convention will put the instrument at work. A guaranteed annual wage will be a first line of attack by the merged forces.

◀ AMERICA-ON-WHEELS, if not already fully conscious of the need of an overall road building program, will surely be so by the time the dust settles upon the political tilting. The Eisen-

hower punch, "telegraphed" for some time, was programed to Congress after committee hearings were underway on a proposal advanced by the Democrats, who ask a five-year authorization total of \$8 billions. The Administration idea is extended \$101 billions outlay, \$31 billions federal, the balance state and local. The President leaned toward financing by special bond issues to be paid off via tolls and taxes on gas and oil.

◀ DOUBLE-BARRELED is the Federal Housing Administration's objective in a decision requiring that building project sponsors seeking F.H.A.-insured loans submit a "previous-participation certificate" identifying participants in earlier multi-family construction jobs. The idea is to shut out profiteers from the windfall scandals of recent vivid memory and to prevent any new miscues.

◀ REDUCTION of military expenditures from \$34.375 billions for the fiscal year that ends June 30 to \$34 billions the following fiscal period—the Eisenhower program given Congress—still stands despite the Formosa developments, says George M. Humphrey, secretary of the treasury. Mr. Humphrey's statement in addressing the Chamber of Commerce of Greater Philadelphia followed a word from Charles E. Wilson, secretary of defense, in Washington that the basic defense plan was unchanged.

◀ OPEN DURING ALTERATIONS and very much so. Government expenditures by a changing of treatment, form and methods of accounting and a revised timing of receipts were "reduced" by 2.5 billions for the six fiscal years 1951-56, while the deficit for the period would be \$29.2 billions, which is \$9.3 billions more than the Government actually reported, says Sidney G. Tickton in a report, "The Budget in Transition," an analysis he made for the National Planning Association's business committee on national policy.

The actual cost of Government has not been cut down by the changed bookkeeping, Mr. Tickton notes. To the contrary, the accounting total of receipts has been raised by at least \$6.8 billions for the same period by alteration of the timing of corporate income tax collections, into an earlier fiscal year.

(THE BUDGET IN TRANSITION—by Sidney G. Tickton. 62 pages. Pamphlet No. 89. \$1. National Planning Association, 1606 New Hampshire Ave., N.W., Washington 9, D.C.)

¶ WHEN the U.S. Supreme Court refused to review a court of claims ruling of two years ago, that manufacturers have a right to refunds of excise taxes for expenditures while making good on warranties, the Government was let in for the possibility of an over-all refunding of many millions, said the department of justice which had asked that the lower court's ruling be reversed. A \$234 million tax rebate for 1937-41 had been granted the Frigidaire Division of General Motors Corporation by the court of claims. The Supreme Court rejected a counter-suit by General Motors claiming the refund should have been \$572,619,000.

¶ UNLESS contracting officers of the defense agencies let manufacturers take into account the larger tax allowances for depreciation allowed corporations by the new revenue law, the contemplated investment incentives will go down the drain, Roy T. Hurley, chairman and president of Curtiss-Wright Corporation, said at a press conference.

¶ COLLECTIVE bargaining agreements cover at least 11,290,000 workers with some form of health, insurance or pension plan, an increase of 3.6 millions since mid-1950, according to the Department of Labor in a review of statistics. The above total, as of early 1954, does not include government and railroad labor workers for whom there is special federal, state or municipal legislation, and in August 1954 the non-operating railroad unions and the carriers agreed to start a contributory health plan affecting 900,000 workers.

¶ AGAINST a gross book value of \$488.6 millions and net book value, after depreciation, of \$132 millions, the Government will realize \$310,565,000 by the sale of its synthetic rubber industry, according to the rubber producing facilities disposal commission. Of this, \$263,643,000 is coming from private interests buying 24 of the 27 plants, \$26 millions by supplies, parts and materials going to the purchasers of plants and a similar sum in Government synthetic rubber inventories to be disposed of after transfer of ownership of the plants.

The taxpayers will get back 96.6 per cent of their \$272.7 total unrecovered investment, the commission reported.

¶ A LARGE BOOST of the maximum fine for violation of the Sherman Antitrust Act from the \$5,000 now stipulated was asked of Congress by Attorney General Herbert Brownell, Jr.

At the same time he requested legislation to permit the Government to recover actual damages resulting from violations of antitrust laws. These permit an injured person to collect treble damages, but the courts have interpreted the Clayton Act to mean that the Government is not a "person." The treble damage feature is not necessary, he said, to "stimulate enforcement"

since the Government is basically responsible anyway to see that the laws are enforced. He asked amendment of sections 4 and 5 of the Clayton Act, to permit recovery of single damages, noting that the United States "is the largest single purchaser of goods and may suffer substantial losses from antitrust violations."

He also proposed that private companies be permitted to use a final judgment won by the Government under the suggested amendments as prima facie evidence in their antitrust suits instead of having to reprove the violation.

¶ WHILE predicting a good long-range future for agriculture, Secretary Ezra Benson told the Senate agriculture committee there's no likelihood of much change this year from the low-price, high-cost situation for the farmers.

¶ LOST along the wayside in the revision of the Internal Revenue Code last year, criminal penalties for violation of the narcotics laws are restored in a bill voted by the Senate and sent to the President.

¶ PASSED by the House was a bill to extend until April 1, 1958 the President's authority to

OFFICIAL TEXTS—of all mobilization agency regulations may be had, free of charge, by writing the Information Division of the agency involved, Washington 25, D.C.

THE FEDERAL REGISTER—a Government daily publication, which contains full texts of all regulations, is available from the Superintendent of Documents, also at Washington 25.

reorganize the executive branch of Government. This authority automatically places in effect any reorganization plans he submits to Congress if neither legislative body has voted against it within 60 days.

¶ DURUM WHEAT would get increased acreage allotment in the Dakotas, Minnesota and Montana, in a measure passed by the Senate.

¶ "INCLUDE US OUT" was the rejoinder of the Federal Trade Commission to a request from an association of retail jewelers that the Commission shoulder enforcement of the Fair Trade laws of 42 states. Instead, the federal body not only advised the retailers "that they could 'with impunity' ignore the state laws where they were not being diligently enforced," as the Associated Press put it, but also suggested that the retailers slash their own prices to compete with the discount houses.

All of which would seem to indicate that the Federal Trade Commission is neither shedding tears over the spread of discount houses nor very sympathetic toward Fair Trade.

How to Get Financials

First Must Prove Data Are as Vital to Supplier as to Banker

BEFORE an intelligent analysis—any kind of analysis—can be made of an account's financial statement, the credit executive must first get it. And if the customer is reluctant about supplying it, what then?

In a future issue an educator-consultant will discuss the relative diagnostic importance of the balance sheet, the comparative analysis and the profit-and-loss statement. And in our March issue a partner in accountancy pointed up the significance of the statement of source-and-application of funds. But, again, what if the account objects to submitting any of these business health reports?

Why do some accounts hesitate? What are managers doing to overcome it? *Credit and Financial Management* went to a few executives for answers to both questions, and found one of the foremost obstacles to break down was a fear of violation of confidence.

To overcome this and a variety of objections the credit executives use their ingenuity in many ways. They appeal to the customer's pride and sense of fairness, send him a series of letters and forms, consult his banker, make personal visits, apply psychology. And that is only the beginning. How they analyze the statement, once they've obtained it, and show the begrudging account how he can avoid pitfalls and increase his profit, is the other part of the story unfolded in part in the following pages.

Convince Customer Data Will Be Kept Confidential

By F. S. DAYTON
*Assistant Treasurer and
Credit Manager
Bates Fabrics, Inc.
New York City*

ANYONE seeking credit should know that he will be expected to provide a financial statement to a trade supplier as evidence of his ability to meet his obligations when they become due. Nevertheless, we frequently meet company principals who appear to take pride in obtaining



F. S. DAYTON

credit without supplying this information, usually provided without hesitation and always very necessary to our operations.

My first reaction when a customer declines to supply a statement is to ask myself, "What is his reason?"

These Explanations Most Frequent

I have found the following explanations most commonly advanced:

- (1) The customer does not want his competitors to know what he is doing and how he is getting along.
- (2) Where a union problem exists

or may develop, he is extra-careful to avoid publicizing such information.

(3) Some feel that because they have been in business many years they are entitled to credit on the basis of their past performance. They completely overlook the fact that past performance is only a part of the credit picture. The credit executive must also determine the customer's ability to meet his obligations when they become due in the future.

(4) Marital problems.

(5) It is not unusual to hear a customer say that he does not have to issue a statement because he can get all the credit or goods he requires in the market without providing one.

Surprising as it may seem, this oftentimes is true. In these instances I am inclined to blame the credit man rather than the customer. If all credit executives checking accounts would insist upon financial statements, to which they most

rightfully are entitled, such customers would not be able to remain in business unless they provided the desired information.

Steps in Getting Information

How do we go about obtaining financial information from a hesitant customer?

When we know he is borrowing from a bank, the first question we ask him is: "Why do you feel the bank is more entitled to a financial statement than a trade supplier?" He usually is at a loss for an adequate answer, unless his merchandise order is much less than the amount he is borrowing from his bank.

Secondly, we assure him that any statement he gives us in confidence will not be divulged under any circumstances. If this does not reassure him I explain that our procedure is to place the statement in a sealed envelope, on which is written in my own handwriting that it is not to be opened by anyone other than myself.

If the account is still adamant to our request for a copy of his financial statement we either offer him short terms of 10 days, or cash, or we decline to check the order, depending upon the information obtainable from his bank or trade suppliers.

We have our own comparative analysis sheets, upon which we set up balance sheets in comparative form as they are received.

We receive profit and loss data on a large number of our accounts, and we obtain budget and cash flow figures from the customer or his accountant when conditions warrant.

A Matter of Concern

This from the treasurer of a hardware jobber in Tennessee:

"My experience in obtaining financial statements, particularly with the points specified, has certainly not been outstanding. This has been a matter of concern to me for some time."

"Our dealers in this area have always been reticent about furnishing financial statements."

Statement of Account

Study of Comparative Balance Sheets Prevents a Bankruptcy

Appeals to His Ego and His Sense of Fairness

By E. M. EMBRY

General Credit Manager

Momsen Dunnegan Ryan Company
El Paso, Texas

AS A general rule we obtain financial statements on our customers through credit interchange services. However, there are times when such statements are not in sufficient detail, or when amplification is needed on some particular item in the statement. In these cases it becomes necessary for us to direct our inquiry to our customer.

To aid our chances of obtaining his compliance we appeal to his ego as well as his sense of fairness, by pointing out that we are sure he has a good financial standing but that we merely need the requested figures to substantiate this fact. We mention also that since we feel disposed to grant him an open line of credit, it is only fair that he supply us with adequate figures to back up our disposition.

We point out to the customer that the figures furnished us will be kept in our confidential credit files and not divulged to anyone without instructions from him. In other words, we try to impress him with the confidential aspects whereby he can feel free to tell us of his financial affairs without fear of publication.

Regarding comparative balance sheets, the larger businesses of course maintain this type of accounting, but we handle so many small accounts which use only the simplest bookkeeping methods that our performance percentage-wise is very small.

In our mind the value of comparative balance sheets cannot be stressed too strongly. I recall a customer who at the time we opened the account, on the strength of the financial statement showed a very strong position with very good ratios. As time progressed we noticed a change for the worse in the ratios,

and it seemed that the liquidity was being drained away.

We obtained comparative balance sheets as well as profit and loss statements, and discovered that while the business started out in excellent financial condition and with an enviable rating, the concern was in reality "broke." The cause was a long term lease rental contract which was out of all reason, considering the volume of business which could be developed at that point.

The landlord knew that he could force payment of the lease contract although it would break the tenant. The tenant could see the handwriting on the wall but kept open, hoping that through some miracle he would be able to sell out. He could not and went bankrupt.

A person watching these comparative statements could see the ultimate conclusion far in advance.

A financial statement picked at random cannot tell the story as will a comparison of statements.

Series of Four Letters Usually Produces Results

By G. T. SMITH

General Credit Manager

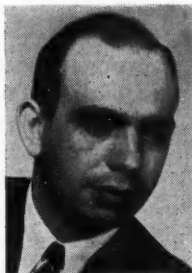
The Aluminum Cooking Utensil Co., Inc.

New Kensington, Pennsylvania

SETTING up what might be called a standard procedure to follow in attempting to obtain financial statements would be a difficult task. Our procedure varies depending on the urgency of the situation, the amount of credit involved and our knowledge of the customer and his way of business.

Following are some of the procedures we follow. In practically every case one or more of them is adapted to the case in hand.

First of all, we assume that there is no one today who is reluctant to provide such information to a supplier extending credit, particularly a large line of credit.



G. T. SMITH

Our first step is to write the customer for the statement or statements, enclosing a Financial Statement Form 5-E recommended by the National Association of Credit Men. The customer is given the option of returning the completed form or sending us his own. The letter is so worded that the customer understands it is merely a part of good business procedure to supply the information and assumes that he will be glad to comply.

Form Sent Second Time

If the first request brings no response, a second letter with another copy of Form 5-E enclosed is sent. This letter assumes that sufficient time has not elapsed for us to have received the completed form we originally sent, or that the first form was misplaced.

If no action is taken by the customer after the second letter, a third one is written. It points out that we are already extending or are being asked to extend substantial credit. It reminds the customer that if he were to ask a bank to extend a short term loan for an equivalent amount, he would be asked to furnish a financial statement and probably would not feel such a request to be unreasonable or unusual.

When the third letter fails to produce results, further action depends on the individual case. Sometimes there is a phone call made to the treasurer or the president. Sometimes we ask our district manager to make a personal call on the customer. In still other situations a fourth letter is written.

The fourth letter reminds the customer in a diplomatic way that credit is based on confidence. It points out his failure to furnish financial statements has shaken our confidence to the point where there are serious questions raised as to the advisability of granting the requested credit. We also ask for a specific explanation of his failure to provide the statements.

Get Data or Find Out Why Not

Results usually are obtained from the aforementioned. Either we get the information or we find out why the customer is reluctant to supply it. There seem to be many reasons why customers are reluctant to supply financial information. However,

(Continued on following page)

the two most common in our experience are:

- (1) Against company policy.
- (2) Fear that the information will be misused.

The second reason can usually be disposed of easily by a letter or a phone call. The first one, however, is more difficult to overcome because it may not be the real reason and/or because the customer may feel that you will not care to argue his policies with him.

Here again we assume as he says that it really is against their policy. We then attempt to point out in a friendly manner how this policy is preventing them from obtaining credit which they want and no doubt deserve. We bring out the old saw that "there are exceptions to every rule," and in this case an exception will be to their advantage and consequently justified. If the situation warrants, and as a last resort, an attempt is made to arrange a personal call at the customer's office.

Once the first statement is obtained, it is comparatively easy to obtain additional statements from time to time. It is not often that we ask for comparative balance sheets. Where possible we prefer to prepare these ourselves because of the great variations in accounting procedures used by our customers. Also, except in rare cases, we do not ask for source and application of funds statements.

The one point we always try to keep before the customers is that it is to their best interest to furnish us with financial statements. Sooner or later with this approach we are usually successful.

Psychological Factors in Appeal to the Customer

By H. L. COTTRELL

Regional Credit Manager

General Electric Supply Company
Detroit, Michigan

FINANCIAL statements are a vital part of the picture for making a good credit appraisal, as all of us know. These statements frequently are included in complete, summary or estimated form in reports by credit reporting agencies. This information is adequate for many of the accounts we all sell our product.

In a small percentage of cases,



H. L. COTTRELL

however, it is necessary to obtain these financial statements direct. These cases generally represent large customers from the standpoint of our sales volume, and at the same time customers having a moderate net worth. After we determine "whom to ask," the next step is "how to obtain."

There are certain psychological factors that must be appreciated. For instance, our first letter requesting a statement is always mimeographed—to indicate to the customer that he is not being singled out for attention. It is wise to state to the

Scarce, Inaccurate

Writes a division manager of a pharmaceutical manufacturer-wholesaler, from Florida:

"Unfortunately, in our business in this area, financial statements from our accounts are very, very scarce, and when we get them they are not accurate, and therefore do not furnish reliable information."

franchised dealers that it is one of your policies to obtain a financial statement annually from each dealer. (The automobile manufacturers do a wonderful job of this.)

It is wise, early in the new year, to make a list of those from whom you desire statements, and to follow them consistently for that information. Send form follow-up letters to those who do not comply within the next few weeks. After that individual letters, and later individual phone calls and personal contacts. It is easy to mark the records to insure the statement request is mentioned at every contact.

It is also very necessary to convince your customers that the information will be treated confidentially. If the customer does a sizable portion of his business with your firm, and if his business is of moderate size, you can use the "counsellor story" to help get this information. In addition to your main reasons for getting a statement, show him you have a friendly interest in his business, that you are genuinely interested in his progress, and that you may make valuable suggestions to him if you know more about his operations.

Once you have obtained this statement it is important how you use the information. Never put it into the customer's file without checking it against a previous statement. You will, of course, use it to adjust credit lines and checking points.

If there are any unfavorable aspects, be certain to discuss them with the principals. Find out why they developed. See what has been

done or what will be done to correct them.

Certain items are elementary, but under pressure of business it would be possible to overlook one or other.

The subject of reconciliation of net worth is one of these.

A few years ago I was presented an interim profit and loss statement as well as a balance sheet which reflected very good operations for a period of many months. On the face of it, the picture was one of a good, profitable business.

Before approving the line of credit, I called on the dealer and asked to see the last year-end statement (which had been prepared by a certified public accountant), in order that I might compare the two and reconcile the net worth. This proved very enlightening. The statements did not jibe. No similar good profit had been shown on the previous year's statement. Further inspection disclosed that the interim profit shown was not genuine but had resulted from a bookkeeping error that would not have been detected until the end-of-year audit.

This came as a shock to the dealer. In the light of the entire picture, credit was not extended. Within 18 months the business failed.

(This is one reason why I prefer the National Association of Credit Men's Financial Statement form 4E, which places this reconciliation of net worth information in an obvious position.)

Comparative statements are frequently of great value, but not of course necessary in instances involving accounts with which you do a sizable amount of business. They give a clear picture of long-range developments. When used they can be shown to the customer to point up obviously weak spots and to show possible avenues for attention and improvement in his operations. Frequently you may be the first to bring this to his attention and you have made a valuable friend.

The ease with which financial statements are obtained is generally determined by the overall relationship you have with the customer. If you establish in his mind that you have an interest in his business welfare, and follow it up with genuine sincerity, the statements will come to you easier each year, for this is one source of benefit which your company can give your customers.

Financial statements are one of your greatest tools. Use them wisely and they will aid you in performing that very creditable financial management job you wish to do for your company.

Check F.C.C. and S.E.C. For Financial Structure

By C. J. CASEY
Credit Manager

St. Louis Globe-Democrat
St. Louis, Missouri

OUR policy is to seek credit information through available rating services and agencies.



C. J. CASEY

We sometimes go direct to the client's bank and check the situation with the bank. We recently had a case in which a radio station was involved. The radio station refused to give us

a financial statement so we had a representative check the Federal Communications Commission file. It is generally accepted that the financial information submitted to the F.C.C. is accurate. We also have had a representative check the Securities and Exchange Commission records to learn the facts about a firm's financial structure. Occasionally, we have imposed on friends.

We guide our procedure by the amount involved. If the advertiser submits a substantial campaign and refuses to give us a financial statement, we then purchase a key report.

Our experience within the past few years has been that it is harder to get a comparative financial statement from business firms. However, as explained, when we believe it is necessary, we have been able to obtain sufficient information to reach a decision.

It has been the writer's practice to check accounts, regardless whether they are key accounts or not, at least once a year. By "checking the account" I mean obtaining credit information by getting a new report.

Our experience here in St. Louis has been that some of our old customers are filing bankruptcies, though only one has involved a large amount of money. Nevertheless, this one plus others increased our credit losses for 1954 over 1953 or any other year within the past decade.

The general impression here is that the automobile industry will reach its saturation point by Sept. 1, 1955. If this should happen we no doubt will have a lot of casualties in the automobile dealer group.

From my experience I do not hesitate to say that credit executives

should check applicants thoroughly during 1955, because there is no doubt the market is changing more and more every day from a seller's market to a buyer's market. This automatically eliminates the "weak sisters" in business.

Direct Action Is Best For Supplier, Customer

By I. J. JEFFRIES
Credit Manager

Hershey Chocolate Corporation
Hershey, Pennsylvania

BUSINESS is the science of trading. When a businessman wants something, he gives something.

To take the subject further, when a man seeks credit he should expect to give—in this case financial information.

With this working creed we have no hesitation in asking our customer for whatever statements we feel are necessary to grant credit or extend it. Our action is direct. We have found that procedure most satisfactory to us and easily understood by our customers. We are convinced it is satisfactory because of the readiness with which they comply. When we find a customer who is hesitant, we forthrightly state our reasons for the request and give him assurance of the confidential regard in which we hold this information.

We also have learned that by analysis of their financial statements we can be of material assistance to our customers at times, and have been able to point out factors they have missed which might react to their benefit.

For example. We had occasion to discuss with one of our good customers the fact that his cash position seemed to be getting worse from year to year.

We pointed out to him that he had a fine opportunity to enhance his cash position if he could discount his bills. Our suggestion was kindly received but he admitted his inability to obtain funds for this purpose. Then we showed him that his accounts receivable and inventory were sufficient for him to arrange with his bank to obtain these funds.

We are happy to say he followed our proposal and over the subsequent years has not only been able to make the additional profit by discounting but also to attain a first class mercantile rating.



I. J. JEFFRIES

VOICES OF EXPERIENCE

C. J. CASEY, credit manager of the *St. Louis Globe-Democrat* in Missouri, has been in credit management for 30 years. In those three decades, he writes, he has gone through "the sad experience of the depression and enjoyed the business recovery," particularly the year when credit losses were so low one would wonder if he'd made a mistake by turning down any applicant.

H. L. COTTRELL, regional credit manager, Detroit, of General Electric Supply Company, was a credit clerk of the company while studying for his degree in business administration from Detroit Institute of Technology. In 1940 he became credit manager. After Navy service, in which he rose to the rank of lieutenant commander, he returned to G. E. Supply in 1947 as district credit manager, advancing to regional credit manager this year. He was president of the Detroit Association of Credit Men 1953-4.

F. S. DAYTON, assistant treasurer and credit manager of Bates Fabrics, Inc., New York, has been with the corporation since 1946. Before the war he was with Gunze Silk Corp. His first job in business was at American Trading Co., New York, as office boy at \$5 a week. He advanced to be credit manager and then assistant to the treasurer. He is on the directorates of the New York Credit & Financial Management Association and the Downtown Textile Credit Group (president of the last-named 1952-54) and is a member of the "475" Club and the Textile Credit Associates.

E. M. EMBRY, general credit manager, Momsen Dunnegan Ryan Company, El Paso, Texas, had his advanced formal education at New Mexico Military Institute, Roswell, N.M., and Texas University. He spent a number of years operating country banks, as well as three years with the banking department of the Reconstruction Finance Corporation in Washington, D.C. In early 1948 he was appointed office manager and personnel director of Momsen Dunnegan Ryan.

I. J. JEFFRIES, recently promoted to credit manager of Hershey Chocolate Corporation, Hershey, Pa., is a graduate of the Wharton school of the University of Pennsylvania and had been assistant credit manager since the early 'Thirties.

G. T. SMITH, general credit manager of The Aluminum Cooking Utensil Co., Inc., New Kensington, Pa., was educated at the University of Pittsburgh school of business administration, being graduated in 1947 after an interruption of four years for military service. Immediately upon graduation he became associated with The Aluminum Cooking Utensil Company, Inc., in the specialty credit department, which deals with the direct-to-consumer phase of the business. In 1950 he was appointed division credit manager in the retail store and hotel industrial credit department. Two years later, after the death of F. S. Bennett, Mr. Smith was appointed general credit manager.

A Problem ~ ~ ~ ~ and How It Was Solved

A Feature Series on MANAGEMENT AT WORK

IN our field the marginal account is often the rule rather than the exception, and so continued selling to these borderline customers means heavy reliance upon all the tools available to credit management. The tools we most frequently call into play are:

1. Credit investigation;
2. Correct use of information obtained;
3. Personal contact.

How those credit tools were put to work is a story of Credit Today.

One of our marginal accounts recently suffered a disastrous fire which destroyed his warehouse and assembly plant. But to begin . . .

The X Y Z Company was a small organization which assembled and sold storm windows and screens. Stocks of cut lumber were purchased from a mill on the West Coast. This mill was owned by Mr. X, who was also the principal shareholder in the X Y Z Company. The latter, although it did sell its products locally, depended for the bulk of its business on one national retailer, who placed orders seasonally for distribution to widely scattered stores. Heavy requirements of X Y Z were lumber, glass and wire screen.

Search for Security Begins

We knew our customer was skating on thin ice by depending almost solely on one outlet, but competition made us reluctant to cut off the account. We decided instead to run as thorough a credit investigation as possible, and look for means to secure our investment.

Routine investigation disclosed very little. Mercantile reports showed that finances of the company were tightly controlled by Mr. X. Facilities of local banks were not used.

By E. T. CLIFFORD
Credit Manager

The Toledo Plate and Window
Glass Company
Cleveland, Ohio



Trade references were sketchy, almost non-existent. That was true also of the mill.

More information was imperative if we were to continue to sell this account. Our experience has shown that the small operation—the one most likely to be a “marginal account”—presents the greatest difficulty in obtaining financial and other vital information. Our bank connection has been a great help. Many times it has supplied us with the information which has allowed us to sell an account on open terms when information received through regular channels would indicate requiring cash in advance. I stress the importance of utilizing the services offered by modern banks.

So we took our problem to the credit department of our bank. In a short time we were given information which eased our mind considerably. In a two-page report we were informed that Mr. X not only owned the mill on the West

Coast but also had many other interests out there. The bank's correspondent knew Mr. X to be a man of high caliber, well respected and, as he put it, “well fixed”. This of course, was music to our ears, as we could now see that worthwhile security was possible. We were thinking of a personal guaranty.

The account had been watched closely from the very first sale, and our frequent visits brought us closer to Mr. X. Convinced of our genuine interest in his operation, he readily agreed to give us the guaranty.

Then Outlet Demands Price Cut

Up to this point, the X Y Z Company had been paying our invoices on a prompt to 30 days slow basis. Then, as we had feared, trouble from the lone major outlet began to brew in the form of demands that unit prices be scaled downward. The X Y Z account went into a 90-day past-due position.

We called on Mr. X and went over his situation. Since we had his personal guaranty, we agreed to cooperate and help him hold the line. Because of our support, Mr. X was able to work out his problem with his customer, a payment was made on our account, and we entered a sizable order to take care of the requirements of the X Y Z Company during its peak period. The situation was looking good. Again a substantial payment was made on the account.

Then the Roof Caves In

Sunday morning I picked up the newspaper. There on the front page was the news that the X Y Z Company had burned to the ground. Breakfast suddenly lost all savor.

When our sales manager and I called on Mr. X, we saw that, excepting the small office building and a

EDWARD T. CLIFFORD, since 1953 credit manager of Toledo Plate and Window Glass Company, wholesale, Cleveland, started in business as a runner for Otis & Co., investment bankers, two years after graduation from John Carroll University. He was assistant supervisor of the commercial bookkeeping department when he began Army service.

From assistant credit manager of the Valley Camp Coal Co. in Cleveland he changed in 1949 to credit manager of Strong, Cobb & Co., Inc., thence to his present connection and office.

Mr. Clifford has held a number of committee posts in the Cleveland Association of Credit Men.

lone chimney, nothing was left of the X Y Z Company but a mass of smoldering ashes.

Mr. X explained how the fire had started and outlined the steps he intended to take in order to provide for all his creditors as quickly as possible. We were informed that his insurance company already had turned in its reports.

Then Mr. X told us that one supplier had become a problem. Immediately after the fire he had demanded through his attorney that his account be paid in full within 10 days or suit would be filed against the X Y Z Company.

We felt the supplier was unreasonable in his demand for quick settlement, and offered to contact him. We opened to him our credit files on the XYZ Company and gave a full report on the findings of the insurance company. We convinced him that he should withdraw his suit.

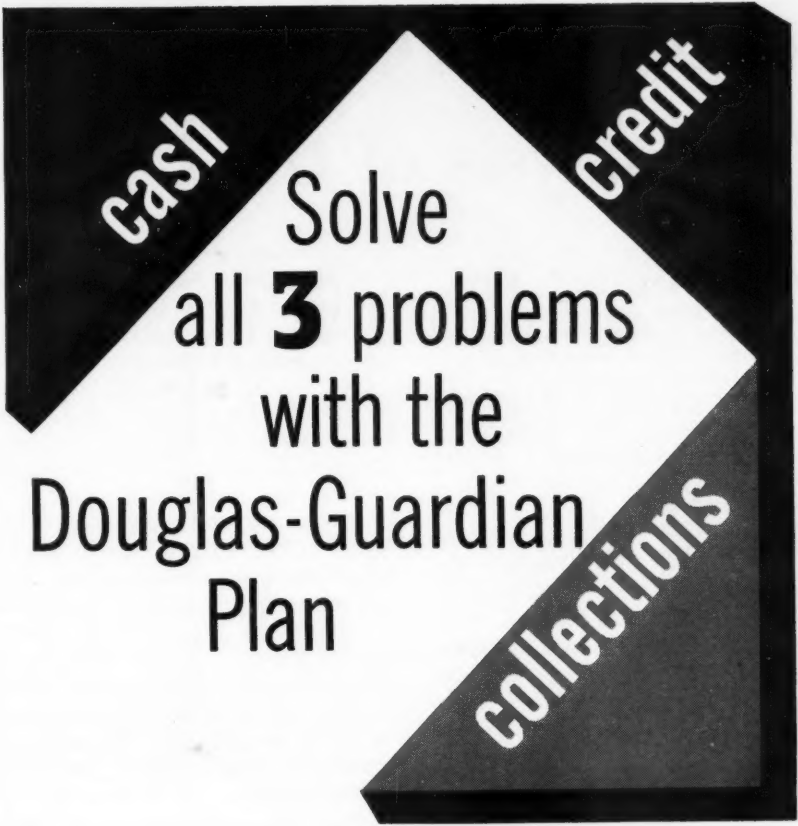
Within one week after the insurance settlement all creditors were paid in full.

In summary, here's how we utilized the three tools first mentioned:

1. *Credit Investigation* and use of banking facilities: Our bank provided information not available through regular channels.

2. *Correct use* of credit information obtained: Because of the clue from our bank we were able to suggest worthwhile security which enabled us to sell the X Y Z Company on open account.

3. *Personal Contact*: Our many visits to the X Y Z Company built the goodwill of Mr. X and his confidence in our desire to cooperate with him in the problem his creditor presented. The latter also was won over, all were paid in full, sales increased and a good potential was developed.



Solve all **3** problems with the Douglas-Guardian Plan

Sales, credit and collection managers are enthusiastic about the Douglas-Guardian Plan because it means fewer credit risks, a minimum of collection problems, more cash on hand.

Here's how the Douglas-Guardian Plan can work for manufacturers:

Douglas-Guardian Field Warehouse Receipts are issued to you on all merchandise shipped to distributors' locations. Thus your distributor enjoys the advantages of ample inventory on favorable terms, resulting in increased sales...with added protection and profits for your company.

**MAIL
NOW**

DOUGLAS-GUARDIAN WAREHOUSE CORPORATION

118 N. Front Street, New Orleans 1, Louisiana

Please have your nearest representative phone me for an appointment.

● YOUR NAME _____

● NAME OF COMPANY _____

● ADDRESS OF COMPANY _____

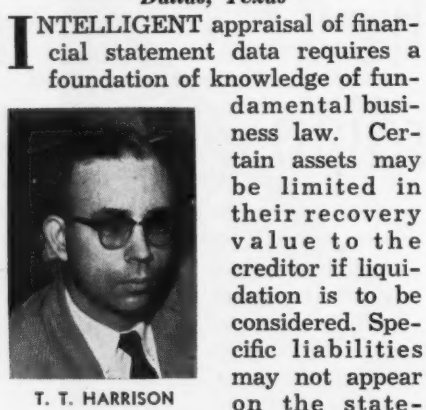
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CFM-4-55

Construction Credit Requires Special Analysis of the Financial Statements

By
TYLER T. HARRISON, C.P.A.

*Assistant Secretary,
General Credit Manager
Mosher Steel Company
Dallas, Texas*



T. T. HARRISON

INTELLIGENT appraisal of financial statement data requires a foundation of knowledge of fundamental business law. Certain assets may be limited in their recovery value to the creditor if liquidation is to be considered. Specific liabilities may not appear on the statements of certain types of business organizations even though their absence on some other statements would be cause for further investigation. The usual practice in recording accounts on financial statements is to assume a "going concern" basis as opposed to the necessity of realizing the values which might result from liquidation. However, it is frequently well in analyzing financial condition to give consideration to both types of values, and to the rights accorded the participant in liquidation under the prevailing laws of the jurisdiction in which the customer either operates or is domiciled.

Modified by Other Factors

The conclusions to be drawn from a close analysis of financial statements can often be subject to modification if consideration is given to other factors. In dealing with building contractors, such items as stability of the owner, sufficiency of interim and long-term financing, point of demand on financing, methods of progress payments, availability of mechanic's lien rights, surety bond guarantees, and retainer provisions can serve to restrict further a poor financial condition of the contractor, or they may permit more leniency when they are all in good order. The construction credit executive who looks at the financial statements alone is just as lax as he who relies exclusively upon the surety bond. Neither is sufficient by itself.

The legal organizational setup of

the contractor or owner may further prejudice collection in certain cases in many states. It is necessary that the analyst know the facts concerning the legal organization of the customer whose statements are being reviewed. Exemptions of personal property and business and residence homesteads can often drastically reduce the liquidation values in partnerships and sole proprietorships, whereas there may frequently be assets subject to execution which are not reflected on these statements. It is not usual for a balance sheet of the partnership or proprietorship to give place to accounts for federal income tax liability, but the absence of such accounts on the corporate statement would call for additional investigation.

There are many reasons why financial statements are withheld from reporting agencies or from the prospective creditor. Chief among these are the desire for secrecy, the fear of possible harm through misuse of financial data by competitors or labor unions, an unbalanced condition which would restrict the extension of credit, or the lack of sufficient books and records from which to prepare statements.

Where data are withheld, it's often advisable to consider the reason why they were not made available. Super secrecy on the part of the cus-

tomizing circumstances, either ratio or direct comparison methods may be employed in the analytical processes. In very large figures, it is frequently difficult to make correct comparison with other pertinent accounts. For this reason, it is much easier to express the relationship of such figures as \$2,433,762.14 and \$1,216,881.07 as 2 to 1 instead of using the figures themselves. Ratios are often used when comparisons between statements of different companies or of the same company for different periods are to be made.

Liquidity is of major importance to the credit grantor since it gives indication concerning the ability of the customer to discount or to pay promptly. A quick glance at the cash account in company with the total current liabilities will reveal the adequacy of monies on hand to meet the more pressing obligations.

Where such funds are adequate, it usually follows that a highly satisfactory financial condition will be found. Failing to find a sufficiency of cash, one should give consideration to other liquid assets such as accounts receivable and marketable securities, if any. If the "liquid ratio" computed from the division of total liquid assets by the current liabilities does not indicate at least a 1 to 1 relationship, there is room

"A balance sheet is but a snapshot of a company's position at a given section in its financial life. A profit and loss statement gives in summary the results of its operations for a specific period. These statements taken together can oftentimes be used as mirrors of the character and capacity of the customer as they operate on the capital available under the conditions present."

—Tyler T. Harrison

tomer at the time of placing the order may be some indication of his reaction to requests for information as to status of affairs when he has become delinquent. There is always a possibility, too, that lack of adequate books for statement preparation means the proprietor lacks knowledge of the direction in which his management is tending to channel the business. Estimated statements are always cause for conjecture as to why more adequate information has not been furnished.

After statements have been obtained and consideration has been given to all the underlying and

for speculation concerning ability to pay within terms.

Accounts receivable in the contracting company are vastly different from those encountered in regular wholesale trade. Discount terms do not apply, and accounts are generally due on a monthly basis within a 10 to 15 day period after an estimate has been rendered to the owner. One of the common difficulties in this field is the use of the term "accounts receivable" or similar nomenclature to designate both progress payments due and retainers withheld, since the latter is often greatly delayed in its receipt. If an itemized list of ac-

counts is available, some opinion may be formed as to the collectibility of the amounts due and as to time of probable receipt.

There have been times when window dressing has been applied to financial statements through the medium of receivables. One such instance involved a contractor who had been idle for several months and had a very small net worth. The day after he had been awarded a contract for \$50,000, his balance sheet was issued reflecting an accounts receivable of this amount with an offsetting credit to surplus, even though he had done no work on the contract and all his costs were yet to be incurred.

A variation of this fallacious method is the inclusion in the statement of the full amount of the contract price on work not yet done with an offsetting reserve account for the estimated cost to be expended in prosecution. Accounts receivable are often overstated in this manner, and while the amount of overstatement may be tempered by the reserve for costs, the effect is to mislead the analyst into believing that more money will be available to the firm in a short period than actually will be the case.

Marketable securities or other short term investments may consist of cashier's checks posted with owners or governmental authorities to secure the latter against failure of the contractor to sign a contract should he be the low bidder. Such amounts are generally somewhat liquid, since they may provide collateral for borrowing even if their return is delayed.

Inventories are not of any significance to contractors, because they are in the general class of service people rather than merchandise handlers. Normally, the analyst would expect the balance of any inventory accounts to be very small and to consist of supplies that would be expended in a reasonably short time. From a liquidation basis, there would be little hope of any recovery to creditors from the inventory account carried on the balance sheet of the contractor.

Fixed Assets Significant

Perhaps one of the most significant accounts carried on the balance sheet of the contractor is fixed assets. A too large percentage of net worth invested in these assets would probably mean a limitation of working capital, while too small an investment might require expensive rentals and subcontracting from the outside. The latter situation, however, is preferable since in times of slack

(Concluded on page 21)

American Credit Insurance

AND

The Case of the Concentrated Risk

THIS is an example of the ability of American Credit Insurance to handle even the isolated instance of exceptional risk. It illustrates a principle which applies whether your own business is large or small.

The policyholder, a manufacturer of small electrical appliances and components already insured under a general coverage policy, was asked by another manufacturer to furnish the chief component of a well-known brand name appliance. The opportunity was unusually tempting, since demand would be continuous, the profit offered was good, and sales expense was negligible.

Nevertheless, the policyholder hesitated. Could he risk so many of his eggs in the one basket? Could he afford to tie up so much of his working capital as would be involved if the account receivable became an item past due? Previous relations between the two concerns had always been of the best. And yet . . .

The policyholder's Credit Manager recommended consultation with American Credit. After study and discussion, it was decided that increased coverage or extraordinary coverage, as riders to the existing policy, would not meet the situation. What then? A separate single risk policy was issued, granting coverage on this one account up to a total of 150 thousand dollars, with a deductible of only fifteen thousand.

Within the year, the Credit Executive's worst fears were realized. The buyer of the components was unable to move a sufficient quantity of his finished product, through being caught in production difficulties at a seasonal peak. The account was filed as a past-due item, aggregating more than 120 thousand dollars. The policyholder received a loss payment of somewhat more than 105 thousand dollars. Thus, most of the eggs in the basket that proved unsound were not even cracked, and the policyholder continued business without even temporary loss of working capital.

Whether your business is faced with many risks or only one concentrated risk, you will find new assurance in knowing that your accounts receivable have the same degree of insurance protection as your machinery, your buildings, and your product. For your copy of a new booklet: "Credit Insurance, Its History and Functions," write Department 47, First National Bank Building, Baltimore 2, Md.

American Credit Indemnity Company of New York

TRENDS — —

IN BUSINESS AND FINANCE

Only Management Manages

MANAGEMENT that does not delegate responsibilities is not managing; that's why decisions of department heads in Commercial Credit Company stand on their own, Alexander E. Duncan, founder chairman of Commercial Credit Company, Baltimore, told us at a press discussion of the annual report. Recognition of individual capacity for growth explains Mr. Duncan's official title in the companies, with E. C. Wareheim, who presided, now board chairman and E. L. Grimes, president.

Concomitant with the overall competitive influences of the buyer's market is the fact that while Commercial Credit's consolidated net income for 1954 was at \$24,228,773, the largest in the company's history, the \$4.86 net income per common share was under the \$5.21 for 1953 but measurably higher than for the three preceding years.

Decision two years ago to "refine" motor retail purchases and wholesale financing of autos, and reduced sales of certain manufacturers last year accounted chiefly for the lower business volume of the finance companies. At the same time, substantial increase was made in financing cars of other manufacturers, with the prediction that outstanding motor retail and wholesale receivables, now on the upturn, will continue to increase this year.

What, No Carrot Tops?

PACKAGING potentials of 80 million pounds of cellophane in the fresh fruit and produce industry alone and 140 million pounds for polyethelene is predicted by George R. Johnson, converter sales manager of the Olin Film division of the Olin Mathieson Chemical Corporation, with the not-so-creeping "death" of service selling in retail stores.

The \$10 million dollar packaging industry is finding additional uses, such as removing carrot tops at the grower-shipper station before polyethelene bagging, one detail of freight cost shaving, the Sales Magagers Association of Philadelphia was informed.

Not Inflationary?

To SUPPORT its claim that "the total impact of federal finances will not tend to be inflationary, despite the deficit in the regular budget,"

the research department of the Federal Reserve Bank of Cleveland reasons this way. It notes that besides regular budget receipts and expenditures, the Government administers a number of trust funds, such as old age and survivors' insurance account, with receipts exceeding expenditures.

Consolidating these funds with the regular budget, a "cash" budget may be constructed (after eliminating certain payments made from one Government agency to another. The 'cash' budget, which shows the actual flow of funds between the public and the Government, is a better measure of the Government's impact on the economy than the regular budget. On a 'cash' basis, the net receipts of the trust funds will more than offset the deficit in the regular budget in fiscal '56. The cash surplus is estimated at over \$500 millions."

Dividend 100 Years in Row

One hundred years of consecutive cash dividends is the record of The Continental Insurance Company, which now is in its second century of business.

In 1852, when a New York drygoods man, Henry C. Bowen, found himself unable to get adequate insurance coverage locally on a large shipment from Europe, forcing him to apply to a number of companies in other cities, he set about interesting other businessmen in capitalizing a new company to remedy the situation. With a capital of \$500,000 the company opened its first office in the basement of 6 Wall Street, New York.

Banks' Freight Pay Service

INTEREST in the new bank service called the freight payment plan took another jump forward when bankers from 16 transportation centers met for discussion in Atlanta with the Citizens & Southern National Bank, which inaugurated the plan last June, as host. Under its plan, instead of use of checks to pay freight bills, the latter are imprinted with a special stamp and are "deposited" by carriers for collection. The funds then are transferred by the bank from the shipper's freight account to the carrier's account.

Stock Price Comparison

THE AVERAGE price of common stocks, in relation to earnings and yields, is lower than it was in 1929, says the business review of the Chase National Bank, despite the nearness to a new all-time high last year. Cited were the 1929 figures of earnings per share, previous year, at \$15.36 compared with \$27.23, and a ratio of 24.8 against 14.8. Dividend yields were 3.15% (1929) and 3.99% (1954); yield on high-grade bonds 4.69% (1929) and 2.89% in the 1954 rate.

Hobby and Health

WHEN the average life span of the business executive is six years less than that of individuals in non-executive groups, it behooves the man in business management to get aboard a hobby, says Richard B. Cooper, medical relations director of the American Mutual Liability Insurance Company. He calls the trouble "executive occupational disease," blames failure to organize the job in order to relieve tensions, a distorted sense of loyalty and responsibility. "The results," he told the Alabama Chapter of the Society for the Advancement of Management, "show up in the vacant boxes that appear suddenly and with distressing regularity on company organization charts."

A Primer in Economics

SEEMS that the "spend, spend, spend" argument of another day has been crowded by proven fact to the contrary in the past year, a subject which the Chicago Tribune takes pleasure in presenting editorially, and in detail. And in another editorial thrust the publication comments, in seconding a constitutional amendment suggestion of Sen. Everett M. Dirksen to bar Government spending in any year beyond its tax collections, that "there isn't any way to balance the budget except by holding expenses within revenue, and there isn't any way to avoid monetary inflation except by ceasing to use the printing press to meet the deficits."

But back to the spending-for-prosperity theme. That theory was exploded last year, says the writer, by the demonstration that "a business recession can be contained within narrow limits and recovery

achieved while payments by the United States were being reduced." The 1950-53 lesson, he points out, was that "a year to year rise in public disbursements could keep the country in a constant state of boom."

Noting the program of \$10 billion dollar reduction of public spending since fiscal 1953, lowered taxes, especially in reduction of double taxation of corporation earnings paid out of dividends, and low interest rates, the editorialist emphasizes that the experiment of keeping the country prosperous while reducing government expenditures has worked, the business "relapse" never reached the 1949-50 depth, the unemployment maximum was a million below that of the earlier period, excessive inventories were liquidated and restocking begun, and auto demand turned strong as did the buying of consumer durable goods.

From which point the editorial drew this question: "Now that private enterprise has demonstrated its capacity to produce prosperity and to hold a business depression within narrower limits than heretofore, will the Government use its new found knowledge? There is a fertile field within which to work, for the Treasury outgo is still more than \$20 billions higher than in 1950 and taxes are higher than the country ever experienced until four years ago."

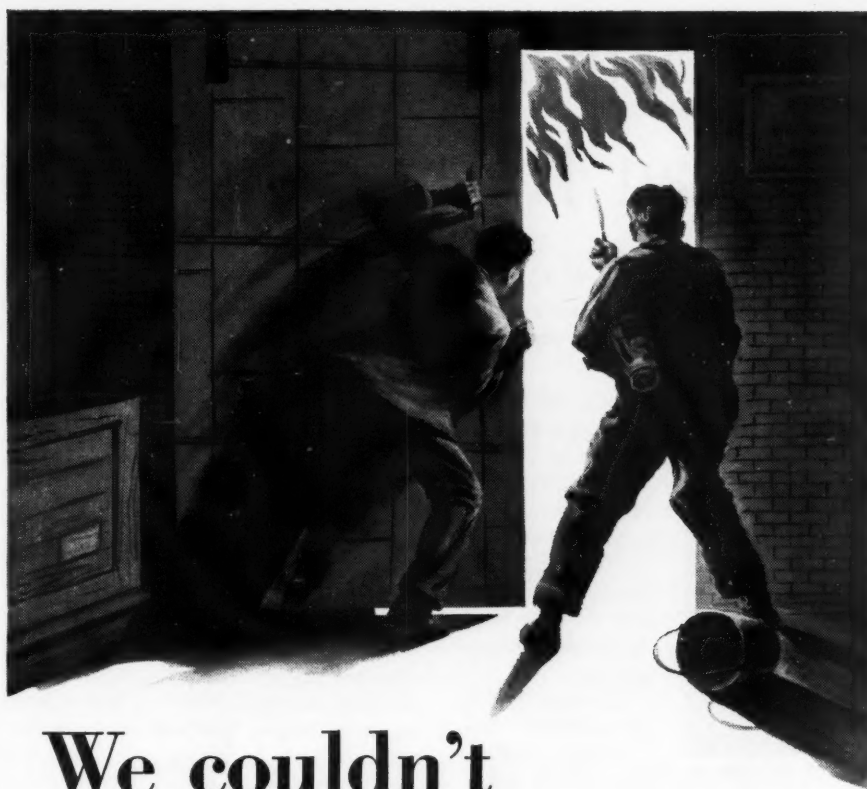
Closer Together

WITH the most rapid growth since 1939 out of the low level of personal income, there has been a pronounced reduction of the range between high and low income areas, says the National Association of Manufacturers. With the average per capita income in the United States now \$1,709 (217 per cent higher than in 1939), the Southeast still has the lowest average but it also has had the most rapid increase, to a per capita income now near four times its '39 average.

Third Best Auto Year

THE TOTAL of 6,600,824 factory sales of motor vehicles made 1954 the fourth best factory sales year in automotive history. December's biggest passenger car output on record made the year the third best in this category. The year's factory sales totals, as given by the Automobile Manufacturers Association: 5,558,739 passenger cars, 1,038,046 motor trucks, and 4,039 motor coaches.

Ernest A. Rovelstad



We couldn't put out the fire

But with the Hartford's help, we quickly paid off \$28,893 in customer claims

(Based on Company File #HM54-324)

It was just before a holiday. As usual in the dry cleaning business, we were up to our ears in clothing bundles. Maybe that's why nobody noticed anything wrong until the fire had actually burned through the ceiling.

We turned in an alarm, but there wasn't much we or the firemen could do to save the plant.

Next morning, the men representing our insurance company set up an office nearby. The moment they verified each customer's claim, the Hartford Fire Insurance Com-

pany paid us the money. Then we mailed our check to the customer, with a letter from our president.

Within 16 days after the fire, we paid 622 claims this way. There were 808 all told, so you can see the Hartford was really moving along fast. With their help, we were able to pay every claim so quickly and so fairly that we found customers talking about us all over town.

Naturally, this talk didn't hurt our reputation a bit. We have almost twice as much business now as we had before the fire!

The way these claims were handled is typically "Hartford."

When buying insurance for your own company . . . when checking the insurance protection of your credit applicants . . . look for the name Hartford.

And any time you want dependable protection backed by outstanding service, call on your Hartford Agent or your insurance broker for Hartford Insurance.

Year in and year out you'll do well with the

Hartford



Hartford Fire Insurance Company • Hartford Accident and Indemnity Company
Hartford Live Stock Insurance Company • Hartford 15, Connecticut

Four Moving Forces in the Economy Can Help Shape Investment Program

By **DR. JACOB O. KAMM**
Executive Vice President
The Cleveland Quarries Company
Amherst, Ohio

HISTORY tells us that the greatest investment opportunities occur in periods of major change. The period ahead appears filled with dynamism, largely as a result of four fundamental forces at work.



DR. J. O. KAMM

Technology is cumulative. Inventions tend to build one upon another. The airplane is merely a combination of the automobile and the kite. The automobile is a modification of a combination of the cart and the steam engine. Back into the dawn of history we find this fact expressed over and over again: an invention is a combination of two or more ideas or inventions already in existence. It is natural therefore, to find that the more inventions man has to draw from, the more probable it is that he will invent more innovations faster.

20 Million More People Next Decade

Population is growing rapidly in the United States. In the next decade it will expand by an estimated 20 million people. This growth will come largely in the younger and the older age groups. Ten million young people below the age of 17 and five million over the age of 55 is the estimated net change in these age classes. With population expansion come increased housing demand, expansion of schools, recreation facilities, highways and public construction of all types.

Research in the last decade has been stimulated by high Federal income taxes and by the high wage era which the economy has experienced. Flowing from the expanded research programs of private corporations as well as from federal government research expenditures come all types of new innovations. The development of atomic energy has been the greatest of these. Its adaptation for peacetime use will open a host of new methods, procedures and technological demands for capital.

The psychological climate for busi-

ness has vastly improved in the last year. The rapid inroads of the federal government into business have ceased. Some tax reductions have taken place, and the Administration appears to be striving seriously to provide the American people with more service for the tax dollar. This is reacting favorably in business circles and stimulating business confidence.

Investment Opportunities Certain

With these four fundamental forces at work in the direction of change, investment opportunities are certain to open before us. Individuals with a sound training and understanding of investing will be in a strategic position to profit from these changes. Static economic conditions open no great investment outlets for

ering the fact that the United States is the world's leading capitalist nation.

The result of concentration of investments in bonds, bank deposits and life insurance has been disappointing in view of the fact that the purchasing power of the American dollar has declined 48 per cent in the last decade. Since defensive assets are payable in terms of dollars, a decline in the purchasing power of the dollar leaves the saver with lessened purchasing power at the time of his withdrawal or receipt of funds than he had at the time of his initial deposit. Those who thought they were investing conservatively have found that they have been losing while saving.

A true investor approach is one that prepares for various risks by balancing

"Successful investors usually need courage to buy stocks when they are depressed in price; common sense to know investment situations when they see them; patience to hold the stocks until their expectations are realized, unless basic facts change; and an unselfish attitude toward selling shareholdings without regard for the last dollar of price rise. Note that these four characteristics are the same four characteristics of a good citizen in the community."

—Dr. Kamm

capital funds. Dynamic conditions, on the other hand, open boundless horizons before us.

In order to participate in the growth of the economy, it is necessary to own such investment assets as common stocks and well-located commercial real estate.

Bonds, bank deposits and life insurance are payable upon maturity of withdrawals in terms of a set number of dollars. Most Americans have preferred to hold bonds, bank deposits and life insurance—assets which are called *defensive* holdings because the investor is assured his principal in terms of dollars.

Ignorance and Fear Factors

Common stocks have been taboo because of ignorance as to how to select sound investment issues and because of fear engendered by the 1929 stock market crash. Only one out of every 16 adults in the United States owns stocks, according to the Brookings Institution survey, certainly a very low proportion consid-

assets between defensive and aggressive holdings. The defensive holdings protect the investor against deflation; the aggressive holdings protect the investor against inflation.

The average American has ignored the aggressive or volatile assets in his investment program. The leading aggressive asset is common stocks. And to my knowledge there are only three ways to make profits in the stock market. These are (1) to purchase growth common stocks; (2) to follow a cyclical investment program, which is to buy stocks when they are low and sell them when they are high; and (3) to purchase special value common stocks.

Hard to Locate Growth Stocks

Growth stocks are often difficult to locate. Growth may have been present in the past but may not continue in the future. Since growth stocks ordinarily sell at high prices in relation to asset values and current earnings, a cessation of growth after purchase at current levels

EXECUTIVE vice president and director of the Cleveland Quarries Company, Amherst, Ohio, educator and author of a number of books on economics and finance, among them "Making Profits in the Stock Market," Dr. Jacob O. Kamm as economics department chairman built the school of commerce of Baldwin-Wallace College into the largest division of his alma mater. He held scholarships at both Baldwin-Wallace and Brown University while an honor student and received his doctorate from Ohio State University.

Mr. Kamm has been a lecturing economist of the American Telephone and Telegraph Company and consulting economist for the U.S. Post Office Department. He is a director of a number of companies, among them the Kelley Island Lime and Transport Company and Silica Chemicals, Inc.

could result in substantial investor loss.

Usually growth stocks are found in growth industries. Growth industries of the future are likely to be oil, electric power, light metals, heat resistant metals, electronics, chemical products and pharmaceuticals.

If the investor locates well-managed companies within these industries and then times his purchases so that he obtains his shares at favorable prices, he is usually well on his way to a sound investment program. The most important single element in a growth company is its management, for good management can result in occurrence of a growth company in a non-growth industry and poor management can result in existence of a non-growth company in a growth industry.

Expanded Earnings Bring High Yield

Although the initial purchase of a growth stock is usually made when the stock is selling at a high price-earnings level, at a low yield and above book value, growth by expanding earnings soon results in a high yield on the basis of original cost. For example, Monsanto Chemical sold at \$13 a share in 1929 and recently at around \$100 a share. Results would be similar with purchases of du Pont, General Electric, General Motors, International Business Machines, Minnesota Mining & Manufacturing, and other famous growth stocks.

An investor who purchases stocks when they are low and sells them when they are high is a cyclical investor. For example, one could have

(Concluded on page 27)



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He is your local U. S. F. & G. Agent

YOU'LL want to see him because he knows how to give your company maximum coverage against losses which are due to dishonesty, vandalism and accident . . . with a minimum of premium outlay.

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CASUALTY
FIDELITY-SURETY
FIRE

United States Fidelity & Guaranty Company, Baltimore 3, Md.
Fidelity Insurance Company of Canada, Toronto

Labor Cost Pared 20 to 25 Per Cent As Credit Company Streamlines Filing

WHERE the value of a service to its users is dependent upon promptness in keeping records accurate, as in The American Hotel Credit Corporation's commercial travel card operations, which last year totaled \$123,570,000, the system of filing used becomes the life-blood of existence.

The American Hotel Credit Corporation issues three credentials honored by more than 3,000 participating hotels in the United States and possessions, as well as Canada and Mexico. These are: (1) the Travelcard, issued only upon company application, which enables traveling executives to charge normal hotel services and makes possible the cashing of company and personal checks; (2) the Chekard, applied for by individuals, which enables them to cash both personal and company checks at any participating hotel; and (3) the Personal Travelcard, for individuals without company affiliation, such as self-employed and professional men—doctors, lawyers, engineers and others.

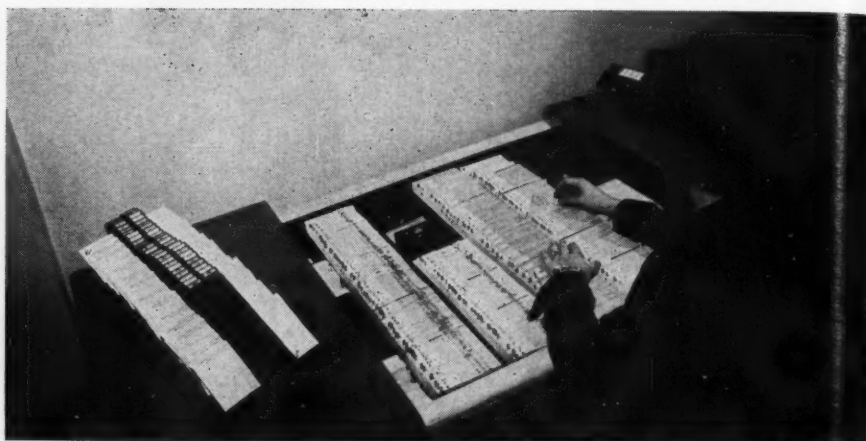
Obviously, swift handling of additions, cancellations and changes is necessary in order to keep client hotels currently advised of changes.

Expansion Brings Problems

In 1953 expanded operations attendant upon merger of the Traveler Corporation, which had been engaged in the issuance of credentials for commercial travelers since 1894, and an affiliate of the American Hotel Association to form The American Hotel Credit Corporation, presented new problems and demanded a revamping of the card file system. Needed were speedy reference procedure plus provisions for expandability at economic cost, follow-up and cross reference. Budget had to be considered and even neatness of card file appearance was an important factor.

Following consultation with Remington Rand specialists, the forms, procedures and equipment to carry out the expanded program were developed under the direction of Stanley A. Walz, secretary-treasurer of the Greenwich, Conn., organization.

First, as many forms as possible were standardized in 5" x 3" card dimension, enabling them to be



REMINGTON RAND Conve-File unit assures the up-to-the-minute credit card data on which depends the service of The American Hotel Credit Corporation. A month ahead of expiration date, renewal notice automatically is brought to the operator's attention by a colored signal system. All papers, files and controls are within easy reach of the seated operator.

housed in one Remington Rand Conve-File unit. The Conve-File is electrically powered, having a capacity of 110,000 cards in this size. It will bring any one of the cards to a seated operator in seconds. Push-button controls enable the operator to move the card trays at will, and the desired tray can be brought before the operator by pressure upon one of 16 control buttons. The trays lift out easily by means of collapsing handles, so that in times of heavy workload as many operators as are needed may work on the files.

Step-by-Step Handling of the Work

When an application for a credential is received, a routine credit investigation is initiated, and all pending papers are filed in an insulated Safe-File.

This same safe-unit houses the contract forms once they have been executed. Since these are in simple card form, this file need not be very large. Only one form is needed for each client, whether it desires credit cards for one or 100 of its representatives.

The Conve-File houses both alphabetical and numerical files on the individual card holders, and an alphabetical file of the client companies. Another section provides for automatic follow-up by month, enabling each holder of a credential to be notified 30 days in advance of expiration date so that the card may be renewed without loss of service. The follow-up form is created by the

snap-out technique at the time of original issuance of the identification. To preserve the appearance of the credential, each individual card holder is furnished with an acetate case.

"After eight months we are more than pleased with the results of the Conve-File installation, and estimate a saving of 20 to 25 per cent in labor over the conventional type of filing unit," reports Secretary Walz.

Round Bank Cuts Corners, Gets Two Drive-in Windows

They cut corners to create the new round building of the Community State Bank in Grandville, Mich., F. G. MacEachron president. Not a stunt but a functional device, the circular form was designed by Daniels Associates, architects of Ann Arbor, Mich., as best fitted for the narrow end of a wedge-shaped site. It is estimated the novel floor plan will reduce employee movement one-third, with resultant lower operational costs.

The circular shape of the exterior accommodates two drive-in windows and ample parking space where a square shape would have allowed but one window and restricted parking. Inside, a curved counter accommodates eight tellers' windows.

A by-product of the design—attraction as a local "wonder"—has brought many visitors (and some new accounts) to the bank.

Construction Credit Requires Special Analysis of the Financial Statements

(Concluded from page 15)

volume, depreciation and other charges are not a factor.

It is well to look for the offsetting liabilities which may be secured by pledge of equipment when review is made of fixed assets, because default in payment may bring foreclosure with the resultant removal of that asset from use or from equities available for other creditors in case of forced liquidation. Too, a review of fixed monthly payment commitments, even if estimated, may give some indication of the load that the concern may have to bear before it will be in position to make payment to suppliers. All too often the "expansion happy" contractor uses the proceeds from his job to make mortgage payments rather than to make payments to his suppliers. Particular attention should be given at this point to the type of business organization, since statutory exemptions may remove much of the balance of the account from consideration if execution is to be required. Overstatement of values often occurs in fixed assets, and leasehold accounts, if present, may have special contractual arrangements which give right of reversion to the owner of the real estate.

Looking at the liability side of the balance sheet, current maturities on obligations as reflected by accounts payable, subcontractors accounts, and accruals may give some indication of slow payments to suppliers in the absence of sufficient trade clearance.

It should be reassuring when bank loans are absent, since as a usual

course it could be expected that an additional source of financing might be available if required. If the concern is incorporated and a profit and loss statement is not presented, a look at the federal income tax account might suggest the profit for the period.

Depending upon the type of organization, the net worth section may be divided into capital stock and surplus or may be combined under proprietorship equity. Good accounting principles dictate that any appreciation arising through writeup of fixed assets above their costs should be set out specifically in the net worth section. Such practice, if present, suggests either that re-evaluation has been made in order to obtain loans or that the equipment has been secured at prices far below the replacement market.

Long-term obligations are rare on the average contractor's financial statement, except that equipment obligations may require two or three years to repay.

The ratio of net worth to total assets should prove interesting, since it reveals the percentage equity of the proprietors to the total equities required for the operation. Low working capital and low proprietorship equity are general companions.

Turning to the profit and loss statement, the paramount consideration apart from actual profit or loss should be the method of accruing profit. Since construction contracts run over many months and may not be completed at the end of the fiscal year, two methods are generally employed. Both have their advantages and their disadvantages. One method involves recognizing profit only on completed contracts while the other accrues profit on a percentage basis determined by the relationship the physical construction completed bears to total construction. Some variation of the latter formula may be used.

Other points to consider are withdrawals of the proprietors either through salaries or dividends, the general reputation of the contractor with respect to consistently bidding too low, conditions of operation such as penalty clauses in the particular contract, effects of delays in delivery and the "amount left on the table" in the job under review. Prior experience and the size of the undertaking as compared to previous completed projects should have an effect upon the determinations.

RECEIVING his certified public accountant certificate in 1945, Tyler T. Harrison for the last ten years has been manager of credits and accounting of the Mosher Steel Company in Dallas, which he had joined in 1941, and recently has been advanced to assistant secretary as well as general credit manager. He earlier had attended the Southwestern Institute of Accountancy, the Y.M.C.A. Schools and Draughton's Business College.

Mr. Harrison helped organize the educational program of the Dallas Wholesale Credit Managers Association, of which he is a past president. He was instructor in financial statement analysis in the association's first six weeks seminar. Mr. Harrison is also active in the Texas Society of Certified Public Accountants.

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401-P Broadway, New York, N.Y.

Pie in the Sky? Not When the Redistribution Cooks Insist on Messing the Economic Recipe

BAKING a larger American economic pie is the way to provide larger pieces for all, not recutting the one already out of the oven, says Clifford F. Hood.



C. F. HOOD

The president of the United States Steel Corporation has a few well-seasoned words for long-haired "kitchen mechanics," some with half-baked recipes for re-sharing wealth, others determined to "whip up another batch of the porous, insubstantial meringue of inflation."

Likening inflation to "changing the marks on a measuring cup to show two cupfuls when you still have one," Mr. Hood says of this school of scullerydiggery:

"That would require going deeper and deeper into debt for the ingredients, which are artificial to begin with. It would create only the illusion of a larger pie, prepared from a recipe calling for dollars that are worth less when they are received than when the rate of earning them was set; dollars that are worth less when the return on them is paid than when they were invested to provide new tools and new jobs in industry; dollars that are worth less when they have to be spent than when they were set aside for personal emergency or for years of retirement."

Then there are the chefs of a "misguided school of economic cookery" who yammer to have "the same amount of purchasing power shifted around, as if that would somehow increase it, and the same tax load rearranged, as if that would somehow reduce it."

Customer, Employee, Owner in One

These redistribution cooks "overlook, or deliberately ignore, the fact that in many cases the triumvirate that must be served—customer, employee and owner—are one and the same person. They are oblivious, or pretend to be, of the fact that in all cases the employee is also a consumer, and so is the individual owner. They are blind to the fact that in many cases the employee of private enterprise also owns shares in the corporate America, either di-

rectly or through his stake in insurance and pension funds."

Americans need a "concept of thinking, planning and acting in terms of creating more wealth for everyone," Mr. Hood told the Institute of Accounting at Ohio State University in Columbus, pointing out that the accountant "can have a very important hand in preparing a bigger economic pie."

The one way to increase our economic stature is through more sales

YOUTHFUL interest in an engineer, who had rented a room in the family farm home, steered Clifford F. Hood into study of electrical engineering at the University of Illinois—and eventually to the presidency of the United States Steel Corporation, Chicago.

From graduation he went to the Packard Electric Company at Warren, Ohio, as sales engineer and assistant cable sales manager, thence to American Steel and Wire Company, U.S. Steel subsidiary, and successively to assistant superintendent of South Works, Worcester, Mass., superintendent, assistant district manager, vice president of operations at the headquarters in Cleveland, executive vice president, and on to president in 1938.

Twelve years later he moved into the presidency of Carnegie-Illinois Steel Corporation, and in 1951, when Carnegie-Illinois became part of United States Steel Corporation, Mr. Hood was made executive vice president-operations. He started 1953 as president of United States Steel Corporation and a director. He is also on the finance committee.

and more production of high-quality goods, at lower unit cost through increased mechanical and human efficiency, "so that more people can afford them and more people can be employed in providing them."

This broadening-out concept calls for new products and new processes, true perspective of profit as a measure of business health and service, undiminishing emphasis on research and technology, a continuing flow of investment capital and of reinvested corporate income.

"The current spielers of economic bombast," he says, "are talking through their hats—and the hats have fallen down over their ears so that they cannot

see or hear economic fact—when they keep trying to foist on the American people the delusion that money which a corporation obtains in the form of increased sales or lowered taxes is shoveled into a vault where it is counted and hoarded by the owners."

Mr. Hood presents proofs. Close to 40 per cent of individual ownership of U. S. Steel shares is by persons with less than \$5,000 incomes, and many of those are joint incomes of man and wife. It is one of 100 U. S. companies producing iron and steel and it makes a little more than 30 per cent of the steel. Of its 50,000 suppliers all but 3,000 to 4,000 are small businesses. After taxes and set-asides to cover physical equipment wear and tear, 88 per cent of income goes to the cost of employment. A second component consists of dividends to 280,000 individuals; the third is money reinvested in technological advancement and in products. (Interest on debt is one-tenth of 1 per cent).

How Components Are Apportioned

Here's how those three components of the economic pie have been apportioned in U. S. Steel over the last three decades:

Employment costs: 88 per cent (300,000 employees).

Stockholders: 8½ per cent.

Reinvestment in the business: 3½ per cent.

"In one sequence of years," Mr. Hood recalls, "labor was given the equivalent of the whole pie of new economic value created by U. S. Steel. The holders of common stock went without any return whatever for seven long, lean years, while reinvestment in the business was denied to the point that it decreased almost a quarter million dollars.

"Those were years when the economy lay prostrate. And every time it tried to get up, it was slapped down and kicked in the ribs with the pointed toe of socialistically-inspired measures."

Warning that "there are tell-tale signs here and there of attempts to revive the myth that spending by government and starvation of private enterprise in the 'Thirties cured unemployment," Mr. Hood declares that "every economic truth consigns to the incinerator every socialistic philosophy that has ever been tried."

Guides to Improved Executive Operation

KEEPING INFORMED

EMBEZZLEMENT CONTROLS—No accounting system or internal control has been devised to prevent embezzlement. A new 4th printing of a booklet by Fidelity and Deposit Company of Maryland, Baltimore, Md., suggests some steps that will minimize such losses.

U. S. GOVERNMENT SPECIFICATIONS DIRECTORY. The first complete guide to reference sources of the specifications and standards used by the Government in its purchasing can be obtained at the Small Business Administration. The directory discusses in detail the purchasing specifications used by the military and civilian agencies of the Government, and provides appropriate indexes. A major portion of the directory is devoted to the listing of the many points, in or near their own communities, where small business owners quickly may locate specifications and indexes needed in deciding whether to bid on Government purchases and, if so, how to prepare the bids. The directory is a companion publication to the Small Business Administration's U. S. Government Purchasing Directory, which is a comprehensive guide to the items and services offered by the military and civilian agencies of the Federal Government and the offices which buy them. For either write Superintendent of Documents, U. S. Government Printing Office, Washington 25, D.C. The Specifications Directory is 25c; the Purchasing Directory 50c.

THE TREASURY AND THE MONEY MARKET. This new 42-page booklet about the money market is distributed by the Federal Reserve Bank of New York. The booklet consists of seven articles reprinted from the Bank's "Monthly Review of Credit And Business Conditions," dealing with financial operations of the Government, including public debt transactions, and their effects on the money market. Copies are available without charge from the Publications Division, Federal Reserve Bank of New York, New York 45, N.Y.

Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.

To expedite receiving these booklets, please address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 229 Fourth Ave., New York 3, N.Y.

EFFICIENCY TIPS

439—CREDIT INSURANCE—Its History and Functions. A new 40-page booklet issued by the American Credit Indemnity Company presents a thorough analysis of operations and benefits of protection against the inability of a debtor to pay his obligations. Ask for copy. Free.

440—HOW TO ANALYZE A CONTRACTOR'S FINANCIAL STATEMENT—Do you sell to contractors? Find it difficult to analyze their statement effectively? Wonder about possible contract bonds? American Casualty Company of Reading offers a 16-page booklet that gives comprehensive analysis of every entry in a contractor's statement. Ask for a copy. Free.

441—"Better Banking in Boston" is the title of a colorful brochure of interest to office executives generally. It describes a unique combination of closed circuit television and mechanized and completely automatic card-finding systems. Available free on request.

442—Faster, easier photocopying with REMINGTON RAND's new low-cost ROTOFLO is described in an illustrated leaflet just released by Remington Rand Inc. The leaflet shows photographically the four simple steps in Transcopy processing with the Rotoflo.

443—Specific suggestions on where to look for "concealed problems in business operation and management" are contained in a booklet prepared by the makers of P-A-X, private internal telephone systems. Titled "Just as the doctor looks inside," it analyzes the problems of intra-office telephone communications. Offered free on request.

444—CONSTRUCTION DIGEST has a folder with breakdown of construction spending that will be done from 1955 to 1959 in Illinois, Indiana, Ohio, Kentucky and the St. Louis area, covering all types of construction and placing the total to be spent during the 5-year period at \$35 billions.

BOOK REVIEWS

INDUSTRIAL MANAGEMENT—(Fifth Edition). By William R. Spriegel, Ph.D. \$6.75. John Wiley & Sons, Inc., 440 Fourth Ave., New York 16, N.Y.

✦ A revision of a standard textbook covering every phase of business process, presented in the light of experience and sound theory. Its emphasis is on the analysis of management problems, on the mutual interests of customer, owner and worker, and on the relationship between management and the community. This fifth edition maintains a balance between theory and practice. New in this edition are chapters on job evaluation, inspection processes, statistical quality control, and over 100 illustrations.

MAN AGAINST FIRE—By Bob Considine. \$5.00. Doubleday & Company, Inc., 575 Madison Ave., New York 22, N.Y.

✦ Written by one of America's top reporters, this book dramatically underscores what protection against fire means to man, and also is a behind-the-scenes story of the fire insurance industry. It is rich in anecdotes—tragic, exciting and amusing. It concludes with an insurance glossary covering the fire and property insurance business.

OTHER BOOKS REVIEWED AND RECOMMENDED

CYCLOPEDIA OF INSURANCE IN THE UNITED STATES—(64th annual edition). Includes complete directory of insurance companies and biographical sketches of men prominent in the insurance business, as well as definitions of terms and forms of insurance coverage, and important court decisions bearing on state regulations of the insurance business. Price \$7.50. The Index Publishing Company, 123 William St., New York, N.Y.

AUTOMATIC MERCHANDISING—by Martin V. Marshall, 271 pages, \$3.50. Division of Research, Harvard Graduate School, Soldiers Field, Boston 63, Mass. Largely a case history, with descriptions of experiments of Hudson in Detroit, and Filene in Boston.

Books reviewed or mentioned in this column are not available from CREDIT AND FINANCIAL MANAGEMENT unless so indicated. Please order from your book store or direct from the publisher.

UP THE EXECUTIVE LADDER

VICTOR C. EGGERDING, general credit manager since 1945 of Gaylord Container Corporation, St. Louis, has been advanced to assistant treasurer of the company, which has plant and sales offices in all parts of the country. He began with Gaylord in 1937 as assistant general credit manager. In 1952, at the age of 49, he was elected to the presidency of the National Association of Credit Men.

Mr. Eggerding served an early apprenticeship in high school days at his father's general store in Evansville, Ill., before going to further schooling and a full-time career in St. Louis. After a year at business college he went to work for Brown & Hall Supply Company, wholesale electrical concern, as bookkeeper and cashier. When the duties of credit manager were added, he enrolled in the Y.M.C.A. course sponsored by the St. Louis Association of Credit Men, which was a forerunner of the National Institute of Credit. At Benton College of Law he studied nights for his bachelor of laws degree.

CARL T. ZINSMEISTER, secretary of United Engineering & Foundry Company, Pittsburgh, has been additionally named a member of the board. He began in the company's sales department in 1912. He also is assistant secretary and director of Stedman Foundry & Machine Company, Aurora, Ind., a wholly owned subsidiary of United; a past director of The Credit Association of Western Pennsylvania, Pittsburgh, and a member of the association's Industrial Credit Club.

Todd Company, Inc., of Rochester, N.Y., has named BRUCE BERGENER director of purchases to succeed the late John E. Bertsche, Jr. Mr. Berenger began in the accounting department, advanced to senior accountant, then to plant manager at Montreal in 1952.



C. T. ZINSMEISTER



BRUCE BERGENER



V. C. EGGERDING



A. J. KEMP

A. J. KEMP has been promoted to general manager of A. M. Castle & Company, in a transfer from Kansas City to the Baltimore office. With the Castle organization for 20 years, he served as general credit manager in the Chicago office, and was credit and office manager of the Kansas City office the last seven years. He majored in accounting, business and financial management at DePaul University, Chicago, and is a past director of the Kansas City Wholesale Credit Association.

CONGRATULATIONS TO—ALTON R. ESHBACH, appointed chief accountant, Jones & Laughlin Steel Corporation's New York ore division at Star Lake, N.Y. . . . PAUL KARSTEDT, formerly treasurer, who has been named assistant to the president, M & M Wood Working Company, Portland, Ore., and F. C. ROCKEFELLER, formerly controller, who succeeds him as treasurer . . . H. F. DIEGEL, elected controller of Chrysler Corporation . . . LEE P. SMITH, controller, Bush Manufacturing Company, West Hartford, Conn. . . .

R. J. STRUDELL, past Grand Exalted Super Zeb of the St. Louis Herd, Royal Order of Zebras, N.A.C.M., who has been assigned as credit manager of Graybar Electric at Little Rock, Ark., from the St. Louis unit . . . ROBERT D. KERR, elected execu-

One has an opportunity to learn more of what makes a successful business successful, through the field of credit management, than any other endeavor I know of.

A. J. Kemp
General Manager
A. M. Castle & Co.
Baltimore

tive vice president, Tower Grove Bank & Trust Company, St. Louis . . . ERWIN J. BOFFERDING, who began as an assistant credit manager for an investment company and now has been named a principal associate of Cresap, McCormick and Paget, management consultants . . .

EDWIN S. KARLOW, assistant division credit manager, California division, The National Supply Co., Pittsburgh, who has assumed the additional position of plant credit manager for the industrial products division of the Torrance, Calif., plant . . . FRANCIS A. COX, advanced to treasurer, The New York Times Company . . . W. EARLE BLAKELY, elected vice president in charge of finance, Schenley Industries, Inc., New York . . . J. HOWARD WHITE, named financial vice president, The Shell Oil Company . . .

In promotions at the Merchandise National Bank of Chicago, F. W. RUDOLPH, vice president in charge of the credit department, has been advanced to the loan department, and R. C. Reule, formerly assistant cashier, has become head of the credit department.

New officers named by the Addressograph-Multigraph Corporation, Cleveland, are JOHN E. STURM as controller and DONALD C. ADAMS treasurer. Mr. Sturm, 46, has completed 25 years with the corporation and Mr. Adams, 40, has been with it 20 years.

Mr. Sturm succeeds GEORGE J. GRIKSHILL, retired. A graduate of Northwestern University, he began with the company in 1929 and advanced through various departments to assistant controller in 1942, to treasurer in 1947.

Mr. Adams joined the company following graduation from Yale University and has handled company operations here and abroad. He has been an assistant secretary since 1943 and export manager since 1944.



J. E. STURM



D. C. ADAMS

Promoted to assistant vice presidents at Bridgeport-City Trust Company, Bridgeport, are ELLIOT K. REICH, from assistant treasurer and assistant manager, credit department, and NORMAN SCHAFF, JR., from assistant treasurer in the banking department. Mr. Reich is a director in the Bridgeport Association of Credit Men.

ARTHUR J. HAND has been named superintendent of fidelity and surety development at United States Fidelity and Guaranty Company, New York. With the organization since 1915, he was superintendent of the attorney's list department from 1923 to 1950; in 1951 he was appointed special agent and, shortly thereafter, fidelity coordinator.

Mr. Hand is a member of the insurance committee of the National Association of Credit Men and has addressed many local credit associations.

R. J. McKENNA, general credit manager and assistant secretary and treasurer since 1951 of the Toledo Plate & Window Glass Company, Toledo, has been named to the board. He has served as director of the Toledo Association of Credit Men for a number of years, now is treasurer of the association and is a

past president and treasurer of the Credit Men's Service Corporation. He joined Toledo Plate as branch credit manager, Cleveland, in 1947.

AND OUR SALUTES TO—ROBERT W. SANDBECK, elected assistant vice president, First Bank & Trust Company, Perth Amboy, N.J. . . . GEORGE MCLENON, who succeeds Chester Mize as treasurer of Blish, Mize & Silliman Hardware Company, Atchison, Kan. . . . J. W. BOYLE, first vice president, Mountain Trust Bank of Roanoke, Va. . . . WILLIAM D. WYATTE, credit manager of Parke, Davis & Company, Ltd., Walkerville (Ont.) branch. . . . OTTO G. KOENIG, vice president and assistant treasurer, The Creamette Company, Minneapolis, Minn. . . .

RAYMOND B. CRAY, elected vice president, Plainfield Trust Company, Plainfield, N.J. . . . STANLEY G. HARRIS, named assistant controller-cost and statistics, for American Steel & Wire Division, United States Steel Corporation, Cleveland. . . . WILLIAM A. ROCKWOOD, assistant to the vice president in charge of the telephone division, Stromberg-Carlson Company, Rochester, N.Y. . . . JAMES B. MATSON, at one time credit and office manager, now assistant to

the president, Cory Corporation, Chicago. . . .

To these new financial officers of the Texas Company: financial vice president ROBERT FISHER, vice president and treasurer STANLEY T. CROSSLAND, and budget director ROBERT G. RANKIN . . . PAUL J. HANNA and ROBERT G. NORWOOD, named vice presidents, The Hanover Bank, New York . . . PAUL DWIGHT EASTMAN, appointed controller, McDonald Bros., Los Angeles . . . ELMER BOETTCHER, promoted to treasurer of Rawlings Manufacturing Company, St. Louis.

At the Arrow-Hart & Hegeman Electric Company, Hartford, Conn., ROBERT W. CHAPIONI, 32, succeeds Harold D. Sanford, retired, as credit manager, and ALFRED M. DeCICCO has become treasurer, succeeding T. A. Inch, also retired.

A graduate of the University of Connecticut, Mr. Chapioni joined the company as credit clerk in 1951 and was appointed assistant credit manager three months later. Mr. DeCicco, a graduate of Sheffield school of business of Yale University, 1934, had been senior examiner in the Connecticut state tax department.



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Legal Rulings and Opinions

Capital Expenditure

Costs of defending a suit brought by minority stockholders in a stock redemption case is capital expenditure, not business expense. The minority stockholders of the Abbott Company brought suit in a state court for determination of the value of its stock, which it had demanded be purchased by the majority stockholders at fair value according to state law, following certain organizational changes authorized by the

Glass and Meat Balls

When a woman became ill seven hours after eating spaghetti and meat balls in a restaurant, her doctor ordered her rushed to a hospital. After a piece of glass had been removed from her stomach she sued the restaurant, asserting she had swallowed the glass with the meal. Appellate court affirmed the jury's verdict in her favor. (*Armstrong vs. Fiato* (New York 1951) 108 N.Y.S. 2d 4).



HONORED. Mortimer J. Davis (third from right), executive vice president of the New York Credit & Financial Management Association and president of the Society of Former Special Agents of the Federal Bureau of Investigation, is the guest of Richard M. Nixon (center), vice president of the United States, at the induction of Robert L. King (second from right) as chief administrator for Mr. Nixon. Mr. Davis was elected head of the former special agents' organization at its first annual convention.

majority. The sum of \$28,000 spent by the corporation in defending the suit was deducted as an ordinary and necessary business expense. The deduction was disallowed; it was ruled the costs in connection with acquiring the stock were essentially capital expenditures. (*Boulder Building Corp., USDC, W.D., Okla., 9/30/54*).

Bargain Stampede

The store didn't open at 9 a.m. as advertised, for the free hose to the first 300 shoppers. By the time it did, a half hour later, there was a stampeding throng. A woman who had been there at 9 was pushed into a glass showcase in the entrance and seriously injured. Her husband sued, and recovered on the jury's verdict in his favor. The ruling was affirmed on appeal hearing. *Lave vs. The Fair Stores, Inc. (Texas 1951) 243 S.W. 2d 683*).

Contribution to a Foundation

A contributor to a foundation for world government organization was not allowed the charitable deduction, and was liable for gift tax. It was ruled that the activities and purpose of the foundation involved political activity, therefore it was not educational. (*Blaine, 22 TC No. 148*).

Insurance versus Taxation

The general understanding that federal tax collection processes have the inside track over state insurance exemption statutes was upended by a decision in the U. S. Court of Appeals, Second District, New York (*Ruth Halle Rowen vs. Commissioner*).

Louis Halle had four life insurance policies totaling \$42,000, with \$3,109.80 cash surrender value when he died insolvent, with income tax liability at \$401,507.56. The proceeds

of the policies were paid the widow and children. Then the commissioner of internal revenue asserted a lien against the beneficiaries for the entire proceeds of the policies.

A factor in the case was definition of the word "transferee." Mr. Halle had once exercised his stipulated right to change beneficiary by substituting the names of his son and daughter as beneficiaries of part of that insurance.

The tax court ruled (18 TC 874, 881) the beneficiaries must turn over the proceeds to the Government because of their "transferee liability as provided for under Section 311 of the Code." But the court of appeals held unanimously that two questions had to be decided. One was whether the beneficiaries were "transferees" and so liable. The court of appeals ruled that to be transferees the beneficiaries necessarily received assets once belonging to the deceased but passed on to the beneficiaries. The court held also that under the contracts of the policies Mr. Halle never had the right to receive the proceeds, the policies were not payable to the estate, and the proceeds never passed to the estate.

Priority Right over U.S.

Bonding company and bank had in part priority rights over the United States on debt due the Government for unpaid taxes, the U. S. court of appeals, fifth district (Mississippi) ruled in a case that involved division of recouped fraudulent conveyances. Federal court for the southern district of Mississippi had held the conveyances should be set aside and the debt payments made from the debtor's estate. When the Government appealed against the ruling that the fidelity company and bank had precedence, the appeals court held that under the state's laws the U. S. had acquired only the right to set aside the conveyance as fraudulent, and not a lien on property which the taxpayer had conveyed to his wife. (*United States vs. Fidelity & Deposit Co. of Maryland, 214 F. 2d 565-1954*).

Timely Notice of Claim

Timely notice to the insurance company of a claim, of loss or injury, is an important condition of recovering from the company. In the case of *Simmon v. Iowa Mut. Cas. Co.*, the appellate court of Illinois (111 N. E. 2d 374—April, 1953) held that notice given by the insured 72 days after an accident, was not "as soon as practicable" as required by the policy, where there were no extenuating circumstances shown.

Small Converters and Service Bulwark of Textiles: Silverman

The competitive effect of mergers and acquisitions should not appall smaller businessmen who may take



H. R. SILVERMAN

courage from certain advantages they possess, namely, their unique service contribution, flexibility of operations, and the law's mantle of protection against unfair competition.

"A bigger competitor is by no means a better competitor," Herbert R. Silverman, vice president, James Talcott, Inc., factors, New York, and chairman of the board of the National Commercial Finance Conference, Inc., told his audience at the New York University school of commerce, accounts and finance. He cited the textile industry, noting: "This industry has always relied upon the tremendous distribution made possible by the many small converters. The most important reason for the small converter's success can be attributed to one thing—service. This word, service, is the *sine qua non* of the success of the small business."

In his talk on "Wider Economic Horizons for the University Man," the major portion of which covered the subject of the effect of mergers and acquisitions on competition, Mr. Silverman said: "Credit men engaged in evaluating statements know the handicap the merged company faces where a large part of its assets is tied up in plant and equipment and where the liquid capital is siphoned off by the 'dominant company.' In many instances they have found that a merged company lacks the flexibility of adjusting its operations to changing conditions. Erosion of working capital takes place rapidly when break-even points are not met."

DR. KAMM

BEGUN ON P. 18

bought General Motors common stock at \$12.75 a share in 1942 and sold it for \$54.75 a share in 1946; repurchased it at \$26 in 1949 and sold it again at \$69.75 early in 1953.

Most stocks have a cyclical pattern but cyclical investing requires alert action and considerable time to study market movements.

The third procedure to follow to succeed in the stock market is to

select special value situations. These are stocks which are depressed in the market for such reason as a lawsuit, a recession in the industry, poor management. Regardless of the prices at which stocks in general are selling, special value situations sell on the basis of asset value—book value, net current asset value, price-earnings ratio.

Where such issues have long consecutive earnings and dividend records and where management is good or is being improved, the investor has investment opportunities which permit him to purchase holdings regardless of the trend of the market. Patience is required in connection with special value situation investments; but the investor using this approach is often handsomely rewarded.

Certainly a conservative investor prepares for both deflation and inflation. This requires the holding of not only defensive assets but also of aggressive assets such as common stocks. We live in a capitalistic economy, and the holding of common stocks is one way we can participate in the great growth of our country.

Don't worry about the job you don't like; someone else will soon have it.—Sydell Quarterly.

Assets of Home Insurance Increase \$55 Millions in Year

An eventful year, 1954 saw The Home Insurance Company increase its assets to a new high of \$452,602,733, a gain of \$55,581,119 over 1953. Net premiums earned increased to \$187,252,245 compared with the 1953 figure of \$182,736,637. Net investment income for the year, before federal income taxes, was \$20,146,784, an increase of \$7,982,677 over the 1953 total. Net income from underwriting and investments, before federal income taxes, was \$9,570,033 as compared with \$15,437,748 in 1953. Policyholders' surplus in 1954 increased to \$219,512,218 from \$169,364,450 the previous year.

Rename Insurance Companies

Under a national expansion program, three Farm Bureau Insurance Companies will replace the "Farm Bureau" in their name with "Nationwide," on September 1st. Thus the Farm Bureau Mutual Automobile Insurance Company will be known as the Nationwide Mutual Insurance Company; the Farm Bureau Mutual Fire Insurance Company becomes Nationwide Mutual Fire Insurance Company; and Farm Bureau Life will be the Nationwide Life Insurance Company.

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Modernizing for Office Efficiency

introducing new office equipment and systems to effect economies in labor and cost, as well as to speed production of essential office work



Vertical Shelving System

A-170 A practical system for filing active records is announced by the DeLuxe Metal Furniture Company, claiming for Verti-File a pronounced increase in capacity over conventional files by using vertical shelving with adjustable snap-in metal dividers on every shelf. Per filing inch the expense is called appreciably less than conventional filing equipment costs, while the complete visibility and elimination of file drawers to tug out and push in makes for much faster record storage. The Verti-File is available in standard 3' wide cabinet sections complete with finished end panels and top.

New Pocket Secretary

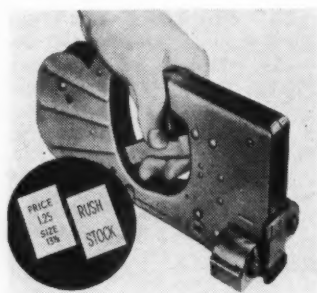
A-171 A daily expense page has been combined with the usual memo and appointment pages to make a complete and useful pocket secretary filler. In weekly and monthly editions, this gives the businessman a concise, planned system for record-



ing day-to-day business expense, on the spot, when it occurs. The "Class-o-fied" contains more than the usual number of memo and appointment pages. In addition, daily expense schedules are incorporated, broken down into the three expense classification subtotals required to substantiate deductions claimed when filing income tax returns. Weekly detachable summary sheets, in duplicate, group the expenditures to permit analysis at a glance. The various expense classifications are also coded for key punch operation. In use, the book becomes a record which can be filed for six years in support of tax returns. Class-o-fied is 6" x 3 1/4", to fit Pocket Secretaries, or may be used alone.

Label Printer and Attacher

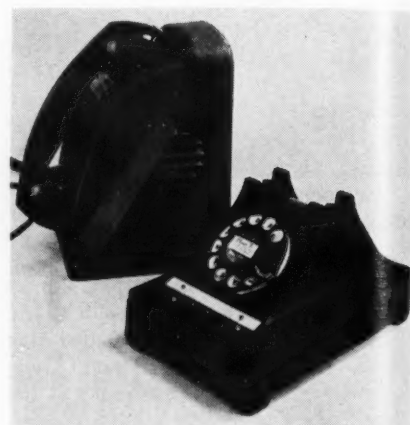
A-172 A one-hand portable label printer and attacher has been placed on the market by the Trig-A-Tape Corporation. It prints and attaches labels, price tickets, in one operation. Features include a ribbon carriage which swings open to permit



quick changing of type and ribbon, and a ribbon which moves automatically. The machine prints directly on the product or on rolls of self-adhesive tape. The company reports that field tests showed up to 45 per cent savings in time and labor.

Portable Telephone Receiver

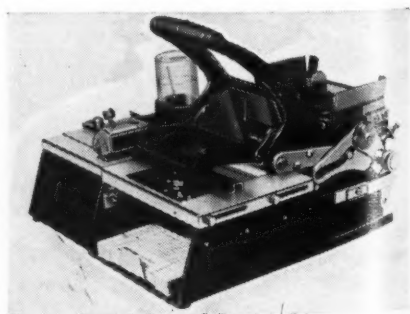
A-173 Hands are completely free, while using a telephone, with Fonadek, manufactured by Modern Electronics, Inc. Fonadek, precision electronic instrument, occupies a few square inches on desk or table. When calling or receiving calls the receiver is placed on the phone. Fonadek transmits voice clearly



through telephone. Volume of incoming conversation is regulated by control button. It needs no installation, runs on ordinary batteries. For further information, contact us.

New Addressing System

A-174 Nearly released is a Master Addresser with pronounced efficiency in addressing envelopes, circulars, statements, time cards, etc. Type a name and address once on a paper slip. Then use the typed slip to print the addresses on the above material. The typed master slips, reinforced by holder-cards, feed through the machine automatically for fast mechanical addressing. Addresses can be read before printing, can be skipped at will, or held for repeat impressions. Prints are made by a clean chemical transfer process; no stencils, plates, inks, or ribbons are required. As used, address cards stack in the same order and can be replaced in the file without re-sorting. They fit 3" x 5" card trays, can be equipped with tabbed index guides. Guides also feed through the machine and need not be removed for addressing.





Produces Program Tape

A-175 Key feature of the Programatic Flexowriter is its ability to produce a "program tape" for insertion into the reading unit. This controls the required spacing functions and causes pre-selected information to be punched into what is called a "work tape." The work tape is then used to operate other tape-actuated office machines. With the Programatic Flexowriter, it is possible to prepare, with one typing, a sales order which is wire-transmitted to the factory office in the form of a duplicate tape, which then is used to prepare invoices and tabulating cards in the home office. The Flexowriter is manufactured by Commercial Controls Corporation.



Precision Pencil Sharpener

A-176 Dux precision pencil sharpening that speedily points up fat pencils, slim pencils, soft leads, hard leads is the claim advanced by Fred Baumgarten, manufacturer of the Dux product. Illustrated is a model with receptacle for shavings, and screw cap. The sharpener is made of molded plastic in assorted colors. The sharpening unit is of lightweight white metal with replaceable razor steel blades. These sharpeners can be imprinted with names, addresses, etc.

Carbon Ribbon Typewriter

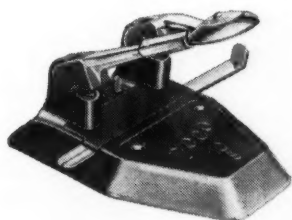
A-177 The Eighty-Eight dual-purpose carbon ribbon typewriter produces outstanding work, the company asserts, with either a carbon paper or a fabric ribbon. Smith-Corona, Incorporated, the manufacturer, calls the carbon ribbon ideal for correspondence to contribute crispness and legibility. The ribbon also is termed well suited for typing copy for photographic or photo-offset reproduction and for direct-plate typing of multilith or offset duplicator masters. The Smith-Corona Eighty-Eight Carbon Ribbon typewriter is available in a wide range of type styles.



This Department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Address MODERNIZING, Credit & Financial Management, 229 Fourth Ave., New York 3.

Single- or Two-Hole Punch

A-178 Acco Products, Incorporated, has manufactured a new two-hole punch, which also may be used for a single hole. The new feature is a swivel catch, riveted to the lever,



which may be swung out so that only one cutter will operate. When the catch is snapped into the closed position, the punch functions as a regular two-hole machine. Other features include gauge bar, gauge lock, short lever action, steel cutters, smooth die-cast metal finished in gray enamel and nickel trimming.

Handy Binder for Magazines!



It holds 12 magazines in a convenient, orderly and neat manner. The binder's handsome, deep-green burlap grained Kingscraft, embossed in gold, will make an attractive addition to your desk-top or library shelf.

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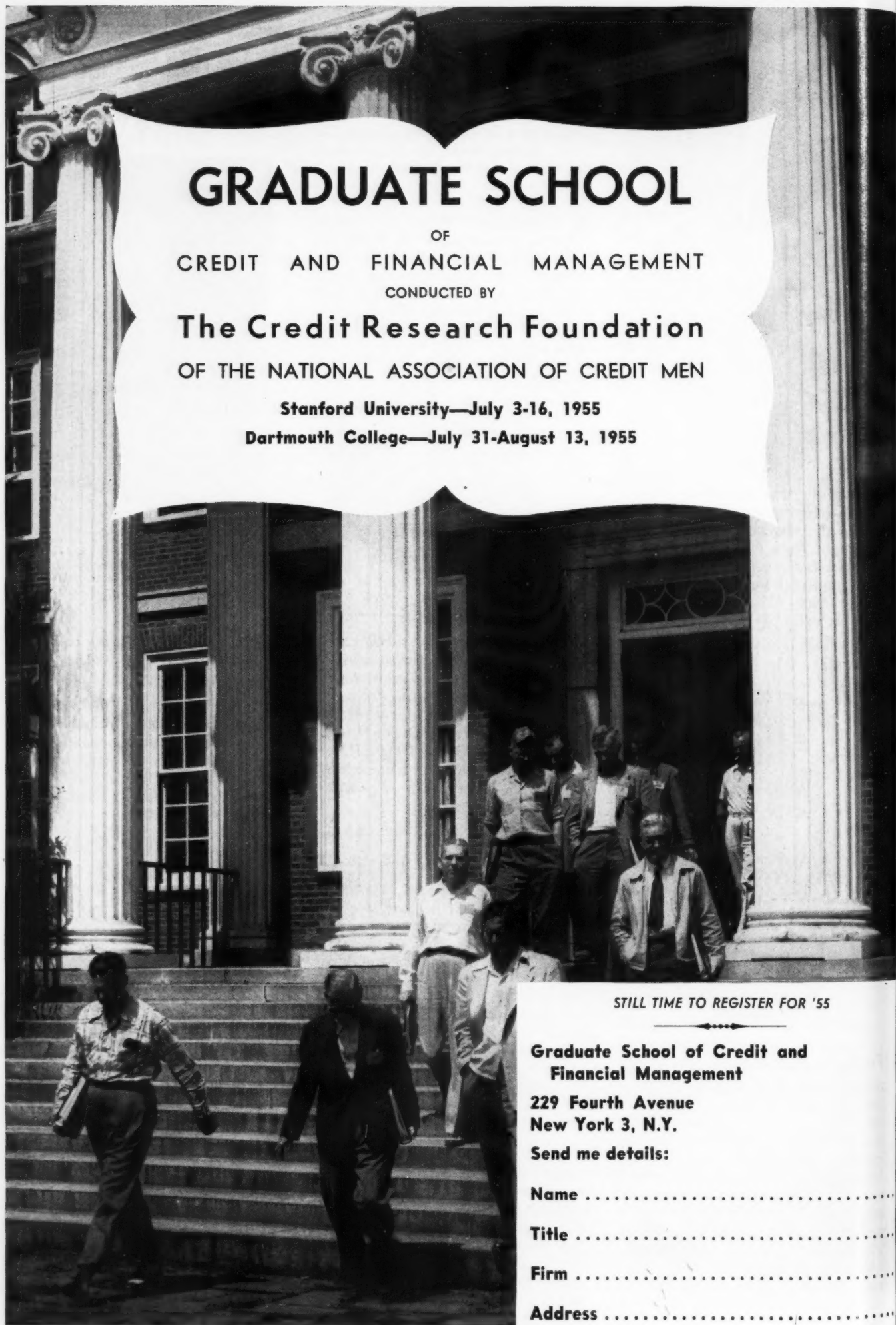
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Convention Plenary Program Near Completion; E. F. Gee a Speaker; Social Features Are Set

WITH the last pieces fitting into the jigsaw puzzle which preparations for a convention always appear to be in early stages, the program for the 59th Annual Credit Congress nears final form.

The composite picture is assurance that members of the National Association of Credit Men meeting in the Conrad Hilton hotel, Chicago, will find the addresses and panels are sources for continued stimulation of thought and exchange of ideas paralleling the best any Credit Congress ever has offered. The entertainment setup, detailed in this issue and with pictures, has both variety and real talent from high ranks of stage and screen, television and radio. The topics and names of speakers of the Group sessions will be published in full in the May issue.

A Working Convention

Here will be a *working* convention, with full thought to the consensus of business conviction that competition is the one word to describe 1955. That will be given emphasis by Henry H. Heimann, executive vice president, in his keynote address opening the first plenary session on Monday, May 9th. Mr. Heimann has chosen for his subject "Credit—For Industry or Indolence."

Edward F. Gee, president of the Robert Morris Associates and the Richmond (Va.) Association of Credit Men, will make a formal address at a plenary session. Mr. Gee



WINDING UP PREPARATIONS for the 59th Credit Congress, in Chicago's Conrad Hilton hotel May 8-12: (l to r) S. J. Haider, N.A.C.M. convention director, secretary-manager, Minneapolis Association of Credit Men; V. A. Bingham, convention general chairman, general credit manager, Macwhyte Company, Kenosha, Wis., and president of the Chicago Association of Credit Men; L. T. Hadley, convention executive committee chairman, general credit manager, Goodman Manufacturing Company, Chicago; and Al. G. Potter, secretary to the executive committee, and executive manager of the Chicago Association.

is vice president and secretary of the State-Planters Bank and Trust Company of Richmond. He is author of "The Evaluation of Receivables and Inventories" and co-author of "Analyzing Financial Statements," with Carlisle R. Davis, also a vice president of State-Planters. Mr. Gee, a certified public accountant, has been a president of the Richmond chapter of the American Institute of Banking.

Financial Panel Announced

An enlightening article by Mr. Gee on the 1955 business scene, in analysis of the viewpoints of 40 loan officers from 40 commercial banks in all parts of the United States, was published in the March issue of CREDIT AND FINANCIAL MANAGEMENT.

In that number were announced the following speakers for general sessions:

Robert E. Wilson, chairman of the board, Standard Oil Company (Indiana); T. Coleman Andrews, U. S. Commissioner of Internal Revenue; and Allan B. Kline, former president of the American Farm Bureau Federation.

In the Financial Merry-Go-Round, panel featuring Chicago newspapers' financial editors and columnists, will appear Herman G. Seely, *News*; Ray Vickers, *Wall Street Journal*, William N. Clark, *Tribune*, and Edward A. Kandlik, *Sun-Times*, with David Dillman of Inland Steel Company as moderator. Makeup of the panel on credit-and-sales relationship is near completion.

Cayce Moore, humorist, will speak

at the Monday forenoon plenary gathering. Cayce Moore was operating a barbershop in Hearne, Texas, when the editor of the *Hearne Democrat* invited him to clip some of his homespun philosophy to the measurements of a column in the newspaper. That and a talk before the local Chamber of Commerce started him on a platform career. And he is a showman.

The entertainment features begin earlier than that however, most as unit production by Phil Levant, orchestra leader also operating an agency. At the reception and tea on Sunday afternoon, May 8th, the Starlighters, four young women who were featured at Chicago's Old Heidelberg, will play favored selections. And a Sunday evening musicale will be presented by Lou Breese and His Musical Images—16-piece orchestra, mixed chorus of 16 voices, three soloists, and Yonely, a sort of "one-man-band" humorist.

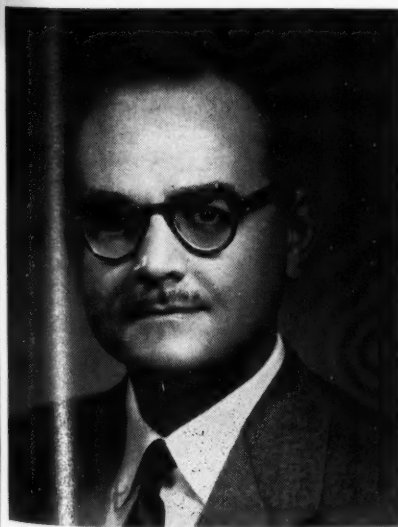
The President's Ball on Monday night will have the music of Wayne King and His Orchestra.

Style Show, Luncheon, Bus Tour

At the style show and luncheon on Tuesday the wives and daughters of delegates will hear "Chuck" Cavello's orchestra, while Maggie Daley, style commentator, will discuss the designs worn by models from Chicago stores.

"A Night in Chicago" will bring together top variety acts on Tuesday

(Concluded on page 33)



EDWARD F. GEE



Lou Breese and His Musical Images



Maurice and Maryea

For Your Pleasure At Credit Congress

OH YES, the Convention Entertainment Committee has made elaborate preparations for the social side of the 59th Credit Congress in Chicago May 8 to 12.

From the opening Sunday afternoon reception through the Wednesday night "Midwest America" show, there will be "name bands" and stars of television, stage, radio and screen to fill in those hours outside the serious work of plenary sessions and Group meetings.

Besides the specialty programs there will be a deluxe tour of Chicago for the wives and children of the convention delegates.



Will Mahoney



Vernon, Bumpy and Company



The Step Brothers

Varied Entertainment Arranged For Convention Leisure Hours

(Concluded from page 31)

night, among them Vernon, Bumpy and Company, balancing act seen on Ed Sullivan's television show; Maurice and Maryea, dance team of the Chez Paree; Will Mahoney, comedy novelty star; "Nip" Nelson, im-



PHIL LEVANT



"NIP" NELSON

personator; the Step Brothers, Dick Shawn, comedian, and Phil Levant's orchestra for dancing.

"Midwest America" is the program title blanketing the WLS Barn Dance and specialties on Wednesday night, with "Red" Blanchard master of ceremonies, and these performers: the Beaver Valley Sweethearts (girl singers), Homer and Jethro, The Flame Boys, WLS Square Dancers, John Dolce (caller) and His Ranch Boys. Dick Carlton's Orchestra will play for the dance that follows.

Harry Trapper's Band will perform Thursday morning.

A bus tour of Chicago is a special event for the women on Monday afternoon.

*The same rain that saves
the optimist's new lawn
makes the pessimist's weeds
grow faster.*

—Anonymous

Farm Credits, State Finances Are Central Valley Themes

Attention was focused on problems of "Farmer Credit—Seasonal Financing" in a panel discussion portion of the program of the Central Valley Credit Conference of the Credit Managers Association of Northern and Central California. Legal pitfalls for the creditor, fiscal problems of the state, and education for credit were among other areas highlighted in the accelerated one-day program.

Some 200 delegates gathered at the Del Rio Country Club in Modesto to hear these participants in the panel: William Workman, Union Oil Company of California, Sacramento; W. R. Morison, Sunland Industries, Inc., Fresno; H. S. Dodge, Niagara Chemical Division, Richmond; and D. H. Pilliard, Anglo-California National Bank, Stockton. Forest U. Naylor, manager, credit department, Pacific Gas & Electric Company, San Francisco, Association immediate past president, was moderator.

Dinner speaker Robert C. Kirkwood, controller of the State of California, discussed fiscal problems. Education for credit was the topic of J. Allen Walker, general credit man-



CAYCE MOORE

Raconteur, who parlayed barbershopisms into national demand as a platform speaker, will entertain the Credit Congress opening session.

ager, Standard Oil Company of California, chairman of the Credit Research Foundation's advisory committee on professional development and education.

Other speakers were Nat Brown, Jr., attorney of Stockton, on "Legal Pitfalls for the Credit Manager"; Dr. G. A. Werner, College of the Pacific, Stockton, analyst of world history; and Richard M. Oddie, Bank of America, San Francisco, head of the bank's small business advisory service.

Stockton members of the Association were hosts and T. V. Schmidt, special representative, Gravem-Inglis Baking Company, Stockton, was general conference chairman.



The Boulevard Room of the Conrad Hilton, Convention Headquarters Hotel

Easing of Retained Percentage Problem In Construction Seen after Conference

ARTICLES in Credit and Financial Management in February and March of 1953 were steps leading to discussion of the irksome obstacle of retained percentages in the building field, in Group sessions at the Credit Congress in Montreal and on to a conference of building industry executives in New York, with prospects of some amelioration of tied-up receivables. The articles were by Howard J. Fichtner, Detroit Steel Products, Inc., and John DiNublia, General Electric Supply Company, Boston.

If proposals considered at the New York gathering are adopted by private building owners and state and local governments, millions of dollars of frozen building credit can be released, speakers said.

"Construction contract payments," explained William Gillett, of Detroit Steel Products, conference chairman and president of the Producers Council, Inc., "are customarily made monthly with 10 per cent, sometimes more, withheld until completion of the work to insure satisfactory performance. Such retention, the conference agreed, should apply only to the first half of the project under normal conditions; otherwise the credit withheld becomes absurdly high in relation to the value of the uncompleted work."

William Stanley Parker of Boston, Fellow in the American Institute of Architects and for years in charge of the Institute's standard contract documents, declared that by such action the owner should be adequately protected, and the general contractor can use retentions on the second half of the job to make final payments on completed work. Maximum retention should not exceed 5 per cent of the project cost, he said, and often might reasonably be reduced below this percentage as the project nears completion and if job conditions are favorable.

Relationship to Work to Do

Several conferees expressed the opinion that toward completion the total amount retained should bear a direct relationship to the amount of work still to be done, provided the amount retained will protect the owner's interest until completion.

With Tyler S. Rogers of the Owens-Corning Fiberglas Corporation, Toledo, past president of the

Producers Council, as moderator, the opinions on the second phase of retained percentage questions were made the basis for further consideration at the next meeting.

New Contract Forms Ready

Mr. Gillett noted that the Public Works Administration, in collaboration with the Associated General Contractors, had already worked out standard contract forms consistent with the conference findings.

Besides the National Association of Credit Men, which initiated the study, organizations participating in the conference were the American Institute of Architects, Associated General Contractors of America, National Association of Surety Bond Producers, Surety Association of America, Association of Casualty and Surety Companies, and material producers.

The meeting was called at the invitation of the Producers Council, Inc., association of manufacturers of building materials and equipment.

Many Organizations Represented

Besides Mr. Fichtner, the N.A.C.M. representatives were J. L. Wood, Johns-Manville Sales Corporation, New York, and Fred Kiel of Owens-Corning Fiberglas Corp., Toledo.

Present from the Association of Casualty & Surety Companies were David Q. Cohen, manager, Fidelity and Surety Department, Association of Casualty and Security Companies, New York, and A. L. Carr, A. L. Carr Agency, New York.

From The American Institute of Architects: Faneuil Adams, attorney, Boston; H. R. Dowswell, AIA, Shreve, Lamb & Harmon Associates; Robert S. Hutchins, AIA, Moore & Hutchins; Clarence B. Litchfield, AIA, LaPierre, Litchfield & Partners, all of New York, and Mr. Parker.

The Associated General Contractors of America: A. J. M. Giardini, The Associated Construction Co., Hartford, Conn.; William Muirhead, William Muirhead Construction Co., Durham, N. C., and Welton A. Snow, manager, building division, Associated General Contractors of America, Washington.

National Association of Surety Bond Producers: James J. Lucy, Lucy & McNiece General Agency, New York.

Surety Association of America: E. Vernon Roth, secretary, The Surety

Association of America, New York, N.Y.

John L. Haynes of Washington, D.C., is managing director of the Producers Council.

Baltimore Credit Men Form Fraud Prevention Committee

Under the chairmanship of Nelson I. Crump of The Bagby Furniture Company, the newly organized Fraud Prevention Committee of the Baltimore Association has undertaken projection of the committee work and services into the association membership, with the cooperation of the Fraud Prevention Department, National Association of Credit Men, and its director, John C. Fredell, Jr.

James F. Welsh of McCormick & Co., Inc., a director of National, is on Mr. Crump's committee with Charles M. Harris, The Jos. M. Zamoiski Company; Benjamin E. Ritchie, Davison Chemical Company; and Freeman W. Cardall, WBAL and WBAL-TV, all of Baltimore. George T. Brian, Noxzema Chemical Company, Baltimore association president, and George J. Lochner, secretary, are ex-officio members of the fraud prevention committee. Frederick H. Schrop represented the Department's national headquarters at the organizational session.

Sales Managers Hear Moran

Coordinating sales and credit was the topic of Edwin B. Moran, secretary and assistant executive manager, National Association of Credit Men, before the Sales and Advertising Managers Division of the Trenton (N.J.) Chamber of Commerce luncheon meeting.

H. A. Hirshberg, San Antonio, Is Federal Referee in Bankruptcy

Henry A. Hirshberg, attorney, of San Antonio, Texas, has been named federal referee in bankruptcy for the San Antonio, Austin and Del Rio divisions of the western district of Texas. Judge Hirshberg began the practice of law in San Antonio in 1908. For more than 20 years he has served the wholesale interests of South Texas. He was also secretary and counsel for the Southwest Texas Wholesale Credit Men's Association, San Antonio. In World War II he was general counsel in the Department of the Interior on problems of Puerto Rico and the Virgin Islands, and acted as special adviser on questions concerning U. S. public lands.

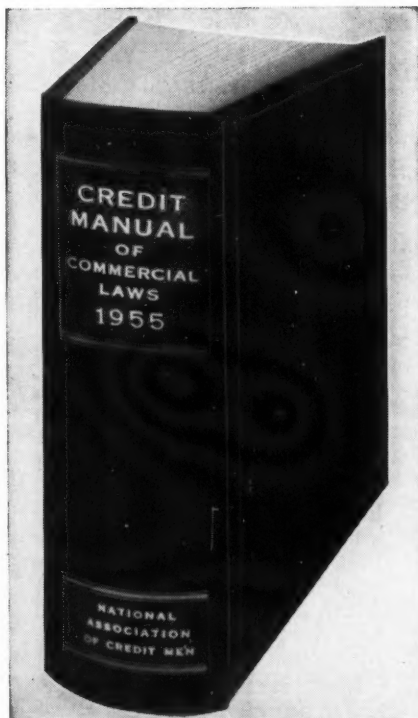
A native of Cincinnati, Judge Hirshberg attended Harvard University and the University of Wisconsin law school.

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Proposed Amendments for Congress Vote

TEN proposed amendments to the By-Laws of the National Association of Credit Men will be submitted for vote by the delegates at the 59th Annual Credit Congress, in Chicago May 8 to 12. The general subjects of the proposed amendments are: Statement of purpose and objects, affiliated associations, appointed officers, vice presidents, and regrouping of districts into four major divisions.

The proposals would affect the following:

Statement of Purpose and Objects; Article II, Section 4, Subdivision (b); Article III, Section 6, Subdivisions (a) and (d); Article V, Sections 2 and 12; Article VI, Sections 1, 2 and 5; Article VIII, Section 2.

Of these proposals, the following were recommended by resolutions of the National Board of Directors: Change in "Statement of Purposes and Objects"; Article II, Section 4, Subdivision (b); Article VI, Sections 2 and 5. The others were proposed by 23 affiliated associations in 12 states. (See box)

STATEMENT

In Statement of Purposes and Objects delete these words: "to seek the enactment of laws and the amendment of existing laws to assure equality and justice in credit transactions and to promote the nation's commerce through uniform laws," and substitute the following: "to maintain at all times all the vigilance necessary to assure a legislative climate which is congenial to sound credit, to assure equality and justice in credit transactions, and to promote the nation's commerce through sound laws."

ARTICLE II

Section 4. Affiliated Associations. Subdivision (b) shall be amended to read as follows:

"(b) (1) Each such petition for affiliation by an association or organization situated within the continental limits of the United States shall be submitted by the Secretary for investigation and report to the director of this Association assigned to the district within which the petitioning association or organization is situated.

"(b) (2) Upon receipt of any such petition for affiliation, the Secretary shall notify the President and the Secretary-Manager of each affiliated association in the trade area of the petitioner that such petition has been received and that any affiliated association within such trade area may file with the Secretary, within 10 days after receipt of such notice, written objections to the granting of the petition. The Secretary shall refer any such objections to the Board of Directors or to

NOTICE

A PETITION TO AMEND THE BY-LAWS OF THE NATIONAL ASSOCIATION OF CREDIT MEN, INC.

WHEREAS, for organizational and administrative purposes, the National Association of Credit Men many years ago created three geographically defined Divisions; and

WHEREAS, during the years following, many important and highly significant changes have occurred in industrial and commercial activities, in communication facilities, in population; and

WHEREAS, it is apparent that many benefits and advantages would accrue to the National Association of Credit Men through the realignment of these geographical boundary lines and the creation of four major Divisions instead of the existing three Divisions; and

WHEREAS, the Board of Directors of the National Association of Credit Men, assembled in Louisville, Kentucky, November 11 through 13, 1954, adopted a resolution recognizing as logical and proper the creation of a fourth Division, and favoring the creation of such fourth Division, with such fourth Division to be represented by a vice president of the National Association of Credit Men;

Now, THEREFORE, pursuant to and in accordance with the aforesaid resolution, the following undersigned Associations, domiciled within the geographical boundaries of the following States: New Mexico, Texas, Oklahoma, Arkansas, Louisiana, Mississippi, Tennessee, Alabama, Georgia, Florida, North Carolina, South Carolina, by authority of their boards of directors, do petition, under the provisions of Section 2, Article XIV of the by-laws of the National Association of Credit Men, for the adoption, at the next

annual meeting of the members of said Association, of such amendments to the said by-laws as may be necessary to create four Divisions instead of the existing three Divisions, each of which four Divisions to be represented by a vice president of the National Association of Credit Men, and to re-district such territory as required and in mutual agreement by the affected Associations.

The petitioners:

Tri-State Credit Association, Albuquerque, N.M., and El Paso, Texas; Wholesale Credit Association, Amarillo, Texas; Alabama Association of Credit Executives, Birmingham; Appalachian Association of Credit Men, Inc., Bristol, Tennessee; Piedmont Association of Credit Men, Inc., Charlotte, N.C.; National Association of Credit Management, Inc., Chattanooga; Dallas Wholesale Credit Managers' Association, Inc.; Fort Worth Association of Credit Men; Houston Association of Credit Men, Inc.; National Association of Credit Men, Jacksonville Unit; Knoxville Wholesale Credit Association; Little Rock Wholesale Credit Association; Lubbock Wholesale Credit Association, Inc.; Memphis Association of Credit Men; National Association of Credit Men, South Florida Unit, Miami; Nashville Association of Credit Men; New Orleans Credit Men's Association; Oklahoma Wholesale Credit Men's Association, Inc., Oklahoma City; Southwest Texas Wholesale Credit Men's Association, Inc., San Antonio; Shreveport Wholesale Credit Men's Association, Inc.; Tulsa Wholesale Credit Managers Association; Waco Wholesale Credit Men's Association, Inc.

Oscar W. Harigel
Houston, Texas

the Executive Committee with his recommendations thereon. The Board of Directors or the Executive Committee, as the case may be, after consideration of such objections and the recommendation of the director assigned to the district from which the petition emanated, shall either grant or deny such petition for affiliation, and the decision so made shall be final and conclusive, but if no such objection is filed the decision of the director assigned to the district from which the petition emanated shall be final. Whenever a petition for affiliation is approved as hereinabove

provided, the Secretary shall cause a Certificate of Affiliation to be issued to the petitioner, and the petitioner shall thereafter be authorized to use the insignia of this Association and to use the words 'Affiliated with the National Association of Credit Men' on its stationery and publications as long as such affiliation shall continue.

"(b) (3) If pursuant to subdivision (2) objections shall be filed to the granting of a petition for affiliation on the ground that the granting of the same would infringe upon territorial rights assigned to the objecting affiliated

association, the director assigned to the district from which the petition emanated, the Board of Directors or the Executive Committee, as the case may be, shall give the objecting affiliated association an opportunity on 30 days' written notice to appear and present argument either orally or in writing in support of such objections. In determining whether to grant or deny a petition for affiliation, due regard shall be given to the legal or constitutional rights of the petitioner and its members to enjoy the benefits of affiliation with this Association, and no such petition shall be denied arbitrarily or with a view to limiting the enjoyment of the privileges of membership in this Association to affiliated associations enjoying such privileges at the time such petition for affiliation is received."

ARTICLE III

The last paragraph of Article III, Section 6, Subdivision (a) shall be amended to read:

"(a) The preceding districts shall further be grouped into four major divisions as follows: The Eastern Division which shall include Districts 1 to 3 inclusive; The Central Division which shall include Districts 5, 6, 9 and Ohio and Kentucky of District 7, and Missouri and Kansas of District 8; The Southern Division which shall include Districts 4 and 10 and Tennessee of District 7 and Arkansas, Louisiana and Mississippi of District 8, and the Western part of Texas and New Mexico of District 11; and the Western Division which shall include Districts 12 and 13 and Montana, Wyoming, Utah, Colorado and Southern Idaho of District 11."

Section 6, Subdivision (d) to read as follows:

"(d) A quorum for the transaction of business at all meetings of the Association shall require the presence, in person or by proxy represented by delegates, of not less than 500 members of whom not less than one quarter shall come from or represent each of the four Divisions and such 500 members shall also come from or represent at least five affiliated associations in each of the four Divisions. In the absence of a quorum, a majority of the members present may adjourn the meeting from time to time. No notice of any adjourned meeting need be given."

ARTICLE V

Section 2 shall be amended to read:

"SECTION 2. NUMBER. The Board of Directors shall consist of 32 persons, all of whom shall be direct or affiliated members, or designated representatives of such members of the Association in good standing, and shall include the President and four Vice Presidents of equal rank, elected to represent the four major Divisions of this Association. The remaining 27 directors shall be chosen to represent the 13 electoral districts specified in Article III, Section 6, of these By-Laws, provided, however, that there shall be at least one but not

more than four such directors chosen for each of said districts, and that not over 50% of the entire membership of the Board of Directors may come from any one Division."

Section 12 to read as follows:

"SECTION 12. EXECUTIVE COMMITTEE. An Executive Committee, consisting of the President, the four Divisional Vice Presidents and one other member of the Board of Directors, shall be appointed by the Board of Directors at its annual meeting, or the power to appoint such Executive Committee may be delegated by the Board of Directors to the President."

ARTICLE VI

Section 1 shall be amended to read:

"SECTION 1. ELECTED OFFICERS. The elected officers of this Association shall be a President and four Vice Presidents of equal rank, all of whom shall be designated representatives of affiliated members or of direct members or shall be direct members of the Association, and shall be elected by the members of the Association at the annual meeting of the members for a term of one year next ensuing their election and until their successors have been elected."

Section 2 to read as follows:

"SECTION 2. APPOINTED OFFICERS. In addition to the elected officers there shall be one or more Staff Vice Presidents, a Secretary, a Treasurer, one or more Assistant Secretaries and Assistant Treasurers, and an Executive Vice President and Manager, all of whom shall be appointed by the Board of Directors and shall serve for such period as the Board of Directors may determine. The offices of Secretary, Treasurer and Executive Vice President and Manager may be held by the same person."

Section 5 shall be amended to read:

"SECTION 5. VICE PRESIDENTS. The Vice Presidents of equal rank and the Staff Vice Presidents shall perform such duties as may be from time to time assigned to them by the Board of Directors, the President or the Executive Vice President and Manager. The Staff Vice Presidents shall report from time to time to the Board of Directors and to the Executive Vice President and Manager."

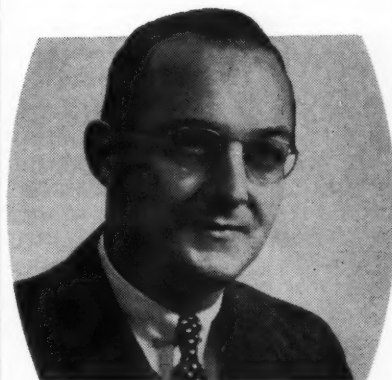
ARTICLE VIII

Section 2 of Article VIII of the By-laws shall be amended to read as follows:

"SECTION 2. DUTIES. The Committee on Nominations shall recommend to the annual meeting the name of one candidate for President, one for Vice President from the Eastern Division, one for Vice President from the Central Division, one for Vice President from the Western Division, and one for Vice President from the Southern Division, and for 9 directors, and for the filling of any existing vacancies among the officers or directors of the Association."

E. B. Moran
Secretary

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Creviston Begins 2d 25 Years As Secretary at Green Bay

Twenty-five years of credit activity allied with Association progress have been chalked up by Ralph



R. C. CREVISTON

C. Creviston in the first round of his secretary-managership of the Northern Wisconsin-Michigan Association of Credit Men at Green Bay, Wis. A native Hoosier, he went to Wisconsin following studies at Purdue University and after a period of employment with Schlafer Supply Co., Appleton, Wis., as credit and office manager, he joined the Association staff at the age of 27.

In the Association Mr. Creviston has been active in par clearance (in Wisconsin it became effective June 1949); he has served as a member of the credit methods and practices committee, was vice chairman of the secretarial council for the central division in 1942 and again in 1953, and was a member of the Credit Interchange Board of Governors from 1949 to 1952.

The Green Bay unit, one of the first associations to develop membership activities throughout the area which it serves, has the distinction of being known as one of the "largest small Associations in N.A.C.M." because some two-thirds of its membership is situated outside the city in which the office is located, many members 30 to 165 miles distant.

Midwest Food Group Speakers Discuss Sales and Bankruptcy

By deploying their strategy on three major fronts of credit operation, the Midwest Food Manufacturers and Allied Lines Credit Group at its 16th annual conference, in Chicago, cleared the delegates' way to more advantageous campaigns of action in future operations. Bernard Weiser, vice president, McCormick & Company, Inc., led off with "Sales and Credit—the All Important Team," which was followed by a discussion period. Next H. S. Lansing, attorney, of Blanksten & Lansing, provided answers to "What the Credit Executive Should Know about Bankruptcy Procedures."

An open forum credit clinic put these members of the team into action under moderator W. G. Kromer, The Quaker Oats Co., Chicago: C. E. Bolt, Kellogg Sales Co., Battle

Creek; J. L. Dalton, Illinois Meat Co., Chicago; H. J. Peterson, Gerber Products Co., Fremont, Mich.; and V. K. Riggs, Clinton Foods, Inc., Clinton, Iowa.

The Group had as conference chairman C. P. Jones, Penick & Ford, Ltd., Inc., Cedar Rapids. H. L. Grunwald, The Borden Cheese Co., division of The Borden Co., Chicago, Group chairman, presided at the luncheon, at which V. A. Bingham, Macwhyte Co., Kenosha, Wis., president of The Chicago Association of Credit Men and general chairman for the 59th annual Credit Congress, welcomed the executives. Howard Roberts, sports writer for *The Chicago Daily News*, gave the well-informed credit men his views on sports in 1955.

Credit Economics Is Eggerding Theme before Georgia's Clinic

Victor C. Eggerding, newly named assistant treasurer of the Gaylord Container Corporation, St. Louis, was among the national credit and banking authorities who addressed the annual Georgia credit clinic sponsored by the Atlanta Retail Credit Association, the Georgia Association of Credit Management, and the Atlanta Clearing House Association and the school of business administration of the University of Georgia, Atlanta division.

Keynote speaker Eggerding, who served as president of the National Association of Credit Men from 1952-53, based his talk on the clinic theme, "Economics of Credit in 1955."

Dr. William A. Irwin, former economist, American Bankers Association, and associate director, Graduate School of Banking, New York, gave his views on the economic outlook, then served as moderator for a panel discussion, "Credit Problems of 1955."

"Human Relations in Credit" was the subject of Dr. R. C. Young, director of admissions, Atlanta division, at the luncheon. Charles H. Dicken, credit sales manager of Gimbel's, Philadelphia, discussed trends in retail credit management.

Green Bay Executives Retire

E. A. Lindberg, Northern Paper Mills, Division of Marathon Corporation, a past president of the Northern Wisconsin-Michigan Association of Credit Men (1938-39), and O. D. Stewart, Kellogg-Citizens National Bank, a past treasurer of the association, have recently retired. Both are of Green Bay.

R. W. Watson, 78, Dies; Former Bank of America Vice President

Former vice president of the Bank of America, Robert W. Watson, 78, is dead in Los Angeles following a heart attack while bowling. Mr. Watson had been vice president of the bank up to his retirement in 1941 at the age of 65. He later was president of the Farmers & Merchants National Bank of Watts (Calif.) for a time.

Born at Ayton, Ontario, Canada, he attended the Agricultural College of New Mexico and was a resident of Los Angeles for 52 years. He served as president of the Credit Managers Association of Southern California, Los Angeles, 1934-35, and as a director of National (1938-41) and as vice president of the western division, N.A.C.M. (1944-45).

He is survived by his widow, Juanita May; a daughter, Mrs. Helen H. Brown, and a grandson.

C. C. Hyatt Dies

Cecil C. Hyatt was for many years the credit manager of General Steel Wares Ltd., Toronto (Canada) and an officer of the Canadian Credit Men's Trust Association.

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Credit Research Foundation

The Credit Manager— Specialist or Generalist?

SOME credit managers contend that they are specialists and should therefore concern themselves with only the specialized functions directly concerned with credit and collections.

These specialists have little interest in time for the more comprehensive management areas or broader financial functions of their company.

The generalist credit manager envisions credit management in a larger sense. He does not conceive of his functions as limited to any narrow or highly specialized operation. He assumes the responsibility for determining facts, trends and developments and sees that this knowledge is usefully applied. With management's approval, he formulates and applies company-wide credit policies.

Like the specialist, he sees that proper planning, development, administration and maintenance of the overall credit organization is achieved.

Whether specialist or generalist, a competent credit manager's job is to achieve the established objectives of his department through application of sound management principles with adequate controls, to assure conformity with the established policies. However, the generalist, unlike the specialist, seeks to maintain a direct and vital relationship between the credit department and other departments of the company. This same relationship he maintains with customers, financial institutions, service agencies, the trade, credit organizations, attorneys, accountants.

Credit management today needs generalists more than it needs specialists. It needs managers who are willing to take risks for profitable company growth and sales development; who are not afraid to meet new situations and changing conditions;

Credit Management at All Levels Has Advancement Opportunity in Foundation

THE National Association of Credit Men, through its Credit Research Foundation, provides opportunities for professional development and education to every level of credit operation.

National Institute of Credit

The National Institute of Credit, first discussed in 1911, was formally established in 1918.

The Associate Award program is for beginners in commercial credit. Three years' work experience and specific basic courses are required.

The Fellow Award program, for those at the supervisory level, requires additional courses and satisfactory completion of a nine-hour, three-part examination offered nationwide one a year. A Fellow Award candidate must have had not less than six years' specialized work experience.

First presented in 1921, the Fellow designation is held by 904 persons.

Graduate Schools

The Graduate School of Credit and Financial Management is conducted each summer in duplicate two-week sessions at Stanford University and Dartmouth College. The Graduate School is for those at or near the level of credit management. The average age of students is 40 and almost half have a college degree. The term "Graduate School" indicates the level of training.

Members attend for two weeks a summer for three summers, and complete a "Management Study Report" dealing with a specific problem within the member's company or industry.

Emphasis at the Graduate School is on individual participation, the student developing himself to the limit of his capacity.

The faculty is balanced between educational and business backgrounds.

who also possess emotional stability.

They must have an appreciation of effective human relations, good communications, and a pleasing personality. There will always be a place for the specialist in the well integrated credit department, but the major responsibility for high level management will rest upon the generalist.

CARL D. SMITH
Managing Director

There is a carefully planned evaluation system, based in part on written evidence of development by each member.

The Graduate School enrollment is approximately 100 each year at Stanford, 200 at Dartmouth. The first class received Executive Awards in 1949. There are now 225 Executive Award holders in the United States.

Credit Management Workshops

The relatively new Credit Management Workshops are the Foundation's "road show", conducted in regional centers throughout the country for those at the highest level of credit and financial management.

There have been seven Workshops so far, the first one held in Cleveland in 1953. The Workshop series with the "longest run" was called "Credit Department Organization — Blueprint for Progress." It was conducted in four sessions at: Detroit; Arden House, Harriman, New York; Yosemite National Park, California, and Chicago.

Maximum enrollment for any Workshop is 52—four groups of 13 plus a professional conference leader each.

The purpose of the Workshops is to "focus attention on common problems of credit management and to facilitate the exchange and integration of ideas and experience on the topic."

One-Day Credit Research Conferences

The first conference in this experimental activity was conducted at Philadelphia in January 1955. It was a two-panel presentation. One panel discussed measurement of credit department effectiveness; the other dealt with the promotional opportunities available to top credit executives.

Future Developments

Future emphasis will be on further refinement of each activity and more complete integration within the total educational structure.

The Foundation's educational activities are supervised by the Committee on Professional Development and Education, C.R.F., which also serves as the Committee on Education, N.A.C.M.

There are seven members, in addition to Chairman J. Allen Walker, N.A.C.M. and C.R.F. board member and general credit manager, Standard Oil Company of California.

CALENDAR OF EVENTS IMPORTANT TO CREDIT

SHARON, PENNSYLVANIA

March 24-25-26

Research Foundation Credit Management Workshop

CHICAGO, ILLINOIS

May 5-6

Annual Conference of N.A.C.M. Secretary-Managers

CHICAGO, ILLINOIS

May 8-12

59th Annual Credit Conference and Convention, National Association of Credit Men.

STANFORD, CALIFORNIA

July 3-16

Stanford University Session of the N.A.C.M. Graduate School of Credit and Financial Management

HANOVER, NEW HAMPSHIRE

July 31-August 13

Dartmouth College Session of the N.A.C.M. Graduate School of Credit and Financial Management

DULUTH, MINNESOTA

September 16-17

Annual North Central Credit Conference, including Minnesota, North and South Dakota

DES MOINES, IOWA

September 21-22-23

Annual Tri-State Conference, covering Iowa, Nebraska and South Dakota

SAN FRANCISCO, CALIFORNIA

October 5-6-7

Pacific Southwest Annual Credit Conference

ELMIRA, NEW YORK

October 13-14-15

Annual Tri-State Conference comprising New York, New Jersey, Eastern Pennsylvania, District of Columbia, Delaware, Maryland and Virginia

CHICAGO, ILLINOIS

October 19

Illinois Fall Regional Conference

WICHITA, KANSAS

October 19-20-21

Quad-State Annual Credit Conference, including Kansas, Missouri, Southern Illinois and Oklahoma.

FORT WORTH, TEXAS

October 20-21-22

Annual Southwest Credit Conference, covering Texas, Louisiana, Arkansas, Oklahoma, New Mexico and Arizona

HARTFORD, CONNECTICUT

October 26-27

Annual New England District Credit Conference, covering Connecticut, Rhode Island, Massachusetts, Maine, New Hampshire, Vermont.

JACKSONVILLE, FLORIDA

October 26-27-28

Annual Southeastern Credit Conference, covering Tennessee, Mississippi, Alabama, Georgia, Florida, South Carolina, North Carolina, Louisiana.

PITTSBURGH, PENNSYLVANIA

October 27-28

Ohio Valley Regional Conference, covering Ohio, Western Pennsylvania, West Virginia, and Eastern Michigan

PITTSBURGH, PENNSYLVANIA

October 29

Midwest Credit Women's Conference

DALLAS, TEXAS

November 13-16

Robert Morris Associates' Fall Conference

CLEVELAND, OHIO

November 14-15-16

Annual American Petroleum Credit Association Conference.

Five Pittsburgh Seminars Consider Marginal Account

Five weekly seminars on "Converting Marginal Accounts into Profit Customers" have been held by The Credit Association of Western Pennsylvania, with T. G. Morris, assistant secretary and treasurer, Pittsburgh Des Moines Steel Co., as moderator, and G. H. Blank, district credit manager, Jos. T. Ryerson & Son Inc., B. A. Boynton, credit manager, Pittsburgh Consolidation Coal Co., and D. T. Snowden, assistant vice president, Mellon National Bank & Trust Co., as instructors.



31 Years with Company

Sara Jane White, Cleveland Credit Executive, Retires

MISS Sara Jane White, formerly assistant secretary and credit manager of the Bowman Ice Cream Company, Cleveland, has retired after 31 years with the company. She went to Cleveland in 1923 from Philadelphia, where she had been affiliated with the Crane Ice Cream Company.

Miss White has been a most active member of The Cleveland Association of Credit Men and the National Association since 1927. She is a charter member and past president of the Cleveland Credit Women's Club and contributed much to its strength and growth. She was elected national chairman of the credit women's executive committee in 1940 and helped establish credit women's clubs throughout the country. She has attended practically every national convention since 1923.

Her successor at Bowman Ice Cream Company is Donald R. Seelig.

R. C. Flom Takes on Another Post in Commerce Department

Russell C. Flom, director of sales, The Marathon Corporation, Menasha, Wis., has been appointed assistant administrator of the Business and Defense Services administration, Department of Commerce, Washington. On leave from his post with the pulp and paperboard company since last September to direct the forest products division of BDSA, he will additionally participate in policy and planning for the agency's 25 industrial divisions.

Mr. Flom is a past president of the Northern Wisconsin-Michigan Association of Credit Men, Green Bay, Wis., and a past director of National

MANAGEMENT IN THE NEWS

Succeeding ERNEST A. DOERSCHUK, retired, as assistant treasurer at The B. F. Goodrich Company, Akron, Ohio, is FREDERICK W. MOYER, who entered the employ of Goodrich as an economist in 1951. Mr. Moyer had begun as a credit investigator in the personal finance field following graduation from Ohio State University in 1938. He was then successively secretary to the president of the Capital Finance Company, Columbus; with the tax research department of the Cleveland Chamber of Commerce; and director of research for the Akron Chamber of Commerce for three years. He is a member of the American Economics Association and the American Marketing Association. He holds an M.A. in economics and Ph.D. in money and banking, and has taught at Ohio State.

Spearheads Drives in Business, Education and Community Life

Linked for the last 27 years have been the business career of Earl H. Tarbox in the Pittsburgh Plate Glass Company, and service with the New Jersey Association of Credit Executives, Newark. Now climaxing his years of activity on various committees and as a member of the board of trustees comes honor as president of the credit association. A "doer" in all things, Mr. Tarbox is active in civic and charity drives, has served on the board of education of Nutley, N.J. for seven years, was four times campaign manager for city government officials, and is a member of the governing body of his church.

Texas Executive Bags Honors, Rides Herd (Zebras, that is)

His firm among the first ten Lincoln-Mercury dealers in the country in parts and service volume, and his local credit association (of which he was vice president and membership chairman at the time) winner of both the one-year plaque and the

coveted five-year award in 1954, Russell Poole well deserves the tribute accorded him in election to the presidency of the Tri-State Credit Association, El Paso. Mr. Poole had been ten years with the El Paso National Bank as directive head in various departments before joining Rollins Motor Company in 1946 as credit manager. He now is secretary-treasurer and a director.

He is director and vice president of the Family Welfare Association, busy in the Royal Order of Zebras.

Treasurer Advanced Through Sales and Cost Accounting

He began his career in the book-keeping department of a bank, next turned for experience to such diversified sectors as accounting work in wholesale houses and manufacturing companies and Iowa sales representation for bank supplies, office supplies and beverage companies. Now Harry M. Davis is secretary and treasurer, National Manufacturing & Stamping Company, Des Moines, and is in charge of office and accounting functions as well as credit work. He has been elected president of the Central Iowa Unit, N.A.C.M. Mr. Davis is a past president of the local chapter of the National Association of Cost Accountants and a national director of it.

Armstrong Cork's Treasurer Is Educator and Author

Cutting across the breadth of top management's areas of special skills, the achievements and interests of Walter E. Hoadley, Jr., reflect the scope of professional education and abilities required of business and economic leadership today. The recently named treasurer of the Armstrong Cork Company, Lancaster, Pa., has authored numerous articles on forecasting and other economic subjects in business and professional journals, and contributed to the

books "Regularization of Business Investment" and "Determining the Business Outlook." He is a vice president and fellow of the American Statistical Association, member of the U.S. Chamber of Commerce committees on construction and civic development and on business statistics; the U.S. Department of Commerce technical consultants, committee on economic policy, business advisory council; Ford Foundation division of economic development and administration advisory group; and consultant, board of governors of the Federal Reserve system.

Prior to joining the Armstrong organization as economist in 1949, he was senior economist, Federal Reserve Bank of Chicago, 1942-49, and faculty member of the school of banking of the University of Wisconsin. A Phi Beta Kappa man, he holds the Ph.D. in economics of the University of California.

Longer Day Would Suit This California Unit President

A man living in beautiful Santa Clara, California, and blessed with absorbing work, the enticing outdoors, and a family including two grandchildren, would naturally long for a longer day in which to enjoy these things, as does Ray C. Major. (Technology, he theorizes, may provide the key to solve that problem.) Then too there is the added responsibility through his election as president of the Credit Managers Association of Northern and Central California.

Ray Major, who is credit manager of the California & Hawaiian Sugar Refining Corporation at San Francisco, has been very active in credit affairs. For the 1954 San Francisco convention of National he was vice general chairman of the executive committee. He is a graduate, class of '54, of the Stanford Graduate School of Credit & Financial Management, N.A.C.M.



F. W. MOYER



RUSSELL POOLE



E. H. TARBOX



H. M. DAVIS



W. HOADLEY, JR.



R. C. MAJOR

CREDIT AND FINANCIAL REPORTER

□ *Brief Items on Credit Activities and Meetings* □

SAN FRANCISCO, CALIF.—Financial editors from the five daily newspapers in San Francisco forecast business conditions in a panel discussion before members of the Credit Managers Association of Northern and Central California at their luncheon meeting. Sidney P. Allen, San Francisco Chronicle, Lindsay Arthur, Call-Bulletin, Joseph Taylor, Wall Street Journal, Charles St. Peter, San Francisco Examiner, J. S. Piper, San Francisco News, and H. J. Soher, financial consultant, as moderator, were the participants. (These financial specialists were on the program at the 58th Credit Congress, San Francisco.)

"Effective Credit Department Organization" was the subject of the annual credit forum of the San Francisco Chapter of the National Institute of Credit. Ed Jepsen, Jr., American Trust Co., was moderator. In the panel were Thomas J. Fahay, Union Oil Co., Bertel Jonson, and Charles M. Sheldon, Schwabacher-Frey Co.

ALBANY, N.Y.—A tour of the Tobin Packing Co. plant at West Albany was made by members of the Eastern New York Association of Credit Executives through the cooperation of Colden G. Boardman, company representative. "Business Insurance and Taxes" was the topic of William J. Clark, assistant manager of pension trust sales, Massachusetts Mutual Life Insurance Co., Springfield, Mass., at the following meeting.

DETROIT, MICH.—"Executive Development," panel topic with moderator Dr. Preston H. Scott, associate director of business services and professor of management, Wayne University school of business administration, was discussed before the Detroit Association of Credit Men. Participating were Archie A. Pearson, manager training department, Ford Motor Co.; William B. Hall, vice president, The Detroit Bank; and Wayne E. Grimm, assistant director of industrial education, Chrysler Corp.

KALAMAZOO, MICH.—Chester C. Woolridge, referee in bankruptcy, western district of Michigan, southern division, Grand Rapids, was principal speaker at the regular meeting of the Credit Association of Southwestern Michigan.

YOUNGSTOWN, OHIO—E. B. Moran, secretary and assistant executive manager, N.A.C.M., spoke before the Youngstown Association of Credit Men on "Credit—the Other Half of the Sale." He illustrated with a number of examples in which counseling by credit executives developed new business.

WORCESTER, MASS.—Samuel Seder, president of the Worcester County Bar Association, spoke on the services a lawyer is prepared to render in matters involving laws on bankruptcies, wills, insurance and the new tax law. At another meeting of the Worcester County Association of Credit Men, James P. Keddy, credit manager, Admiral Distributors, Boston, discussed "The Credit-Minded Salesman and the Sales-Minded Credit Man."

PITTSBURGH, PA.—"Sales Promotion through Dealer Financing" was the subject of C. F. Gilbert, vice president and general manager, Westinghouse Credit Corp., and organizer of the "Bankredit Group," before The Credit Association of Western Pennsylvania. Other speakers at Credo weekly luncheon meetings were: A. L. Lambie, assistant treasurer, Blaw-Knox Co., who discussed "Measurement of Credit Losses"; Paul J. Winschel, attorney, of Reed, Smith, Shaw & McClay, on "Bulk Sales Law—Protection and Dangers"; and Dr. C. C. Walton, dean of Duquesne University's school of business administration, on "American

Capitalism as Viewed by a Distinguished Foreigner." Professor Raymond Rodgers of New York University school of commerce, accounts and finance, and the N.A.C.M. Dartmouth Graduate School faculty, outlined pointers for business planning in 1955 at a dinner meeting.

OSHKOSH, WIS.—"Where There Is No Vision, The People Perish," an interpretation of positive thinking attitudes vs. negative ones, was given by J. E. Dornoff, vice president of Pate Oil Co., Milwaukee, at the annual dinner meeting of the Central Wisconsin Association of Credit Men. A past president of the Sales Executives Club of Milwaukee, Mr. Dornoff was the organizer of the "Flying Horsemen of Sales," a group that has talked to more than 60,000 sales managers and salesmen throughout the U. S.

A one-day insurance clinic was sponsored by the Association together with the Associated Industries of Oshkosh.

MINNEAPOLIS, MINN.—"Operation Salvage," a forum on bankruptcies and liquidations, was led by C. J. Wagner, past president of the Commercial Law League of America and Minneapolis Association counsel, at the meeting of the Minneapolis Association of Credit Men.

The year's business outlook was the subject of a subsequent panel discussion which had as participants this cross-section of Management: James C. Harris, trust officer, North Western National Bank; John E. Ledbetter, assistant secretary and credit manager, Northrup King & Co.; Oscar F. Litterer, consultant, Federal Reserve Bank; L. L. McBurney, president, Smith Welding Equipment Corp., and a director of the National Association of Manufacturers; and W. N. Rainville, vice president, Gresen Manufacturing Co. At the following meeting E. B. Moran, N.A.C.M. secretary and assistant executive manager, discussed the relations between credit and sales.

KANSAS CITY, MO.—Donald M. Gamet, C.P.A., Arthur Anderson & Co., discussed the new tax law at the monthly meeting of the Kansas City Wholesale Credit Association.

LUBBOCK, TEX.—Edwin B. Moran, secretary and assistant executive manager, N.A.C.M., was guest speaker at the luncheon meeting of the Lubbock Wholesale Credit Association.

BRIDGEPORT, CONN.—"The Auctioning of Bankrupt Properties" and "The Rights of the Unpaid Creditor" were the respective topics of guest speakers James J. Leon, president of Leon Store Fixture Co. and official U. S. auctioneer for the District of Connecticut, and Arthur Wasserman, partner in the law firm of Wasserman & Salter, Boston, at meetings of the Bridgeport Association of Credit Men.

NEW YORK, N.Y.—Governor Theodore Roosevelt McKeldin, of Maryland, was banquet speaker at the sixtieth annual event of the New York Credit & Financial Management Association. His topic was "Private Credit and the Public Purse."

BILLINGS, MONT.—Certificates of merit were awarded to the association's past presidents on their honors night. Officiating was V. A. Mortensen, Midland Implement Co., president of the Montana-Wyoming Association of Credit Men.

SYRACUSE, N.Y.—Henry H. Heimann, executive vice president, N.A.C.M., speaking at the dinner meeting of the Syracuse Association of Credit Men, on overall business operations, stressed the growing trend of credit management to use credit for the expansion of trade rather than solely for conservation of assets.